

**Review of New Mexico's Implementation of the Federal
Workforce Investment Act of 1998
November 13, 2003**



*Report to
the LEGISLATIVE FINANCE COMMITTEE*

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November 13, 2003

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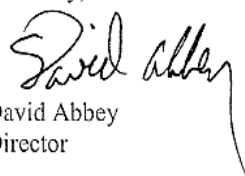
Dear Governor Richardson and Secretary Chino:

On behalf of the Legislative Finance Committee (LFC), we are pleased to transmit the audit report of New Mexico's implementation of the federal Workforce Investment Act of 1998.

The audit team interviewed key personnel, reviewed case files and examined financial and program data to prepare this report which will be presented to the committee on November 13, 2003. The contents of the report were discussed with New Mexico Department of Labor staff and local board representatives at an exit conference held on November 4, 2003 and at separate meeting with representatives of the department on November 10, 2003. We are appreciative of the cooperation and assistance extended by department and local board personnel.

We believe that this report addresses issues the LFC asked us to review and hope the state's efforts to implement the Workforce Investment Act will benefit from our efforts. Thank you for your cooperation and assistance.

Sincerely,


David Abbey
Director

RS/lg

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Executive Summary

EXECUTIVE SUMMARY

The findings in the report indicate that the state has had difficulty in successfully implementing the Workforce Investment Act in New Mexico. The current administration has made progress in correcting some of the problems identified in this report. However, strong leadership from the governor's office and the Legislature is required to thoroughly address all the issues.

The Workforce Investment Act of 1998 (WIA) changed the framework for workforce preparation. It focused the state on meeting the needs of businesses for skilled workers and the training, education and employment needs of individuals.

The One-Stop delivery system is intended to create seamless service delivery through collaboration among partners

The new system is based on the concept of "one-stop centers" where information about and access to a wide array of job training, education, employment and supportive services is available for customers at a single neighborhood location.

The act requires that standards for success be established for organizations that carry out training services and provides for a system of accountability to ensure that customer needs are met.

ORGANIZATIONAL ASPECTS

Minimal coordination exists among state agencies, impeding WIA implementation

Congress envisioned that WIA would improve coordination among agencies and avoid the "stand-alone silo" effect, which occurs when similar programs are offered by different agencies. A comprehensive one-stop center includes services from all 19 federally mandated partners either on-site physically or through a technological link. No one-stop in New Mexico has access to all federally mandated partners.

Further, conflicts of interest must be closely monitored within an integrated system that includes federal, state and local agencies, as well as WIA-mandated majority business interests on the statewide and local boards. The audit revealed the following organizational issues that obstruct WIA implementation and increase program costs:

- An inherent conflict of interest exists within NMDOL where program operations and program oversight are housed in the same agency creating statewide independence issues.
- Lack of participation by mandatory partners.

- WIA's organizational alignment creates an impression that favors certain agencies and programs.

New Mexico statute on state board membership goes beyond the federal requirements

Large board membership is a complicating factor in achieving statewide consensus and collaboration.

The increased use of executive committees, subcommittees and ad hoc task groups is an effective tool to use to provide for a more effective board.

SERVICE DELIVERY

Partner program participation in the one-stop system is minimal, hence less than comprehensive one-stops in New Mexico

Industry best practices indicate that service integration should occur on at least two levels: Co-location of partners in one-stop centers and integration of partners' information technology systems.

The law provides flexibility in how mandatory partners provide services, allowing physical co-location, electronic linkages or referrals to off-site partner programs.

New Mexico's efforts should be focused on best practices, not just providing participants with basic information through an Internet connection. A common intake system for WIA mandatory partners has not yet been fully implemented.

Provider performance data are not available to participants to make informed choice about training options

A premise of WIA is a participant's self-determination and informed choice about training and occupational options. This is accomplished through training providers reporting required performance information. For the participant to fully understand available training options they need this performance information. The consumer reports system must contain the information necessary. In New Mexico, training providers are not required to submit performance information because the state applied for and received a waiver.

WIA can improve agencies' coordination of employer and business services

Employers and businesses are regarded as customers under WIA. Provision of business services should be integral to the one-stop system and can include staff dedicated to establishing relationships with employers. The state needs to use the one-stop system to improve agencies' coordination of employer and business services.

Training needs are not established in conformance with WIA intent

TRAINING SERVICES

WIA outlines a progression of services that must be offered to participants: Core, intensive and training. Through the processes of evaluation or assessment, a participant must be determined to be in need of training and to have the skills and qualifications to successfully complete the selected training program.

Training needs are not aligned with economic development policy

The training program must be directly linked to employment opportunities, and a participant must be unable to obtain grant assistance from other sources.

Evidence reviewed indicates:

- Training services were offered prior to adequate determination that such services required.
- Participants are fast-tracked into training, often going from core and intensive services to training in the same day.
- Files lacked documentation of assessments for the need for the next level of service.
- Training service recommendations were not always tied to in-demand occupations.
- Training is not aligned with economic development policy.
- One-stop operators believe that many service providers have engaged in "reverse referral," a questionable process.

Virtual One-Stop System Software has many problems and financial tracking is not implemented

NMDOL began implementation of the Virtual One-Stop System Software (VOSS) as a common intake system to collect data for both its employment services program and WIA. The project utilizes an Internet, web-based, self-service software system.

VOSS has faced a lack of confidence by local boards, data migration issues and incomplete and inaccurate data reporting.

The state needs to provide local board's fiscal agents with a workable day-to-day operational guide

An original audit objective was to identify how WIA program funding was expended. This was impossible due to NMDOL's inadequate, fragmented and poorly structured financial system. Further, the related document tracking system did not allow examination of overall expenditures because of inadequate internal controls over expenditure data.

Three out of four fiscal agents changed on July 1, 2003. NMDOL has not provided meaningful or complete financial guidance, policies and procedures nor has the department complied with its own regulations since program inception.

RECOMMENDATIONS

Realign organizational structure

The governor should designate a new agency or organization as the WIA statewide administrative entity. The administrative entity is responsible for program oversight.

The legislature should:

- Amend state law so that NMDOL is no longer the fiscal or administrative agent for the state board
- Amend state law to move the monitoring and technical assistance functions to the new designated agency.

The LFC and state budget division should require all agencies with workforce development activities to adopt standard performance measures.

The minimum required number of members should be appointed to the state board, and waivers should be pursued to improve or streamline state and local board requirements.

Improve service delivery system

The legislature should require that GSD promote co-location of agencies within one-stop centers.

The state should:

- Create guidelines that local boards can use to certify one-stops based on service availability and partner participation
- Ensure that New Mexico's one-stop system moves beyond a paper exercise.
- Publish a semiannual report on agency participation

The legislature should insert language in the general appropriation act requiring co-location of mandatory and recommended partner program staff in selected locations.

The state should immediately withdraw the waiver that postpones when providers must submit performance information. The state should also remove training service providers from the state vendor list when evidence indicates

that those providers have engaged in questionable recruitment practices or have not met performance levels.

The local boards should provide business services through their one-stop centers and evaluate the service and ensure that services provided meet the needs of businesses.

Establish training needs in conformance with WIA intent

The state should require that all training provider contracts contain the required WIA elements.

Align training needs with economic development policy

The legislature should provide local boards with economic development analysis and direct ties to the Economic Development Department.

In collaboration with the statewide and local boards, the state should assign dedicated resources to a leadership team for VOSS and publish continuous statewide communications to all management levels.

The state should also establish formal policies and procedures to ensure the integrity of the VOSS database system.

The state should completely and accurately account for all program funds received from inception through June 2003 and reconcile participant historical data for the same period.

Provide updated, meaningful and practical program guidance

The state should establish program-specific internal control policies and evaluate the manual being developed by the central board fiscal agent as a model.

The state should prepare a corrective action plan covering remediation activities with timelines and milestones for submittal to the LFC on or before December 13, 2003.

Audit Information

AUDIT INFORMATION

Background. Over the last four years, the Legislative Finance Committee (LFC) has held interim hearings on the federal Workforce Investment Act of 1998 (WIA). These hearings highlighted the problems with WIA implementation in New Mexico. LFC placed an audit of WIA in New Mexico on the performance audit work plan in 2003. This audit is a result of that request.

Over the past three years, New Mexico has been implementing WIA. Before and during this period, different groups suggested improvements in the coordination and performance of the state's many job training, employment and vocational education programs. A report by the National Conference of State Legislatures published in 2001 featured NMDOL and identified 15 agencies with a total budget of \$299.6 million in workforce-development-related funding. Several groups have proposed various organizational changes to streamline the system, improve customer service and reduce program costs.

None of these proposals received much attention. These proposals approached workforce development as an organizational problem that could be resolved through new procedures and organizational changes. However, suggested changes have not addressed the core issues surrounding workforce development in New Mexico. As a result, the state faces many of the same coordination problems that existed before the implementation of WIA and the issuance of these proposals.

The primary tension causing fragmentation and duplication in the state's workforce development is the power of individual agencies and the politics of changing service delivery for their clients. This is a natural governmental problem given the disparate federal and state programs involved. State agencies serve overlapping populations and provide similar services. Differences among the agencies and the battle for scarce resources serve as a disincentive for cross-agency cooperation. If the Legislature and the governor want a coherent workforce development system tied to economic development goals, they must resolve a number of complex issues.

To examine workforce development, LFC staff looked at New Mexico's state and local workforce investment systems established under WIA. Congress envisioned that WIA would improve not only coordination among agencies but also participant outcomes. WIA classifies participants in four different categories adult, dislocated workers, older youth (18-21) and younger youth (14-18). This audit and report focuses on adult and dislocated workers categories and includes one-stop systems and services provided and how clients were moved through the progression of services required by WIA. State and local board performance is evaluated on how they use these services to accomplish goals such as job placement, job retention and wage increases. Examination of individual case files during the audit set the stage for many of the following recommendations.

The purpose of WIA is to increase a participant's

- ***employment,***
- ***retention,***
- ***earnings, and***
- ***occupational skill attainment.***

The integration of workforce development in New Mexico requires significant and fundamental changes. New Mexico has yet to take the first real steps toward agency coordination. As can be witnessed in other states, such change requires leadership on the part of the governor to reorganize and streamline many executive branch agencies. This report primarily suggests steps to encourage cooperation among agencies and organizational change aimed at removing conflict of interest from WIA.

This audit has the goal of providing information to improve WIA operations and facilitate decision making by parties with responsibility to oversee or initiate corrective action and improve public accountability for the program.

Acronyms and Abbreviations. The following is a list of acronyms and abbreviations used in this report.

AWS	America's Workforce Solution
CYFD	Children, Youth and Families Department
EDD	Economic Development Department
EPCOG	Eastern Plains Council of Governments
GAO	Congressional General Accounting Office
GSD	General Services Division
HSD	Human Services Department
ITA	Individual Training Accounts
JTPA	Job Training Partnership Act
LFC	Legislative Finance Committee
MRGBEC	Middle Rio Grande Business & Education Collaborative
MRCOG	Mid-Region Council of Governments
NALWDB	Northern Area Local Workforce Development Board
NAWB	National Association of Workforce Boards
NCSL	National Conference of State Legislators
NMCL	New Mexico Coalition for Literacy
NMDOL	New Mexico Department of Labor
ASD	Administrative Services Division
ESD	Employment Security Division
JTD	Job Training Division
OJT	On-the-job training
RCI	Resource Consulting Inc.
SAOA	State Agency on Aging
SCCOG	South Central Council of Government
SERCO	Service Employment and Redevelopment Company
USDOL	U.S. Department of Labor
VOSS	Virtual One Stop System
WIA	Workforce Investment Act of 1998

Objectives. The objectives of this audit changed as work was conducted and deficiencies in New Mexico Labor Department (NMDOL) systems and information became known. While unusual for LFC audits, consideration of changing audit objectives is required by auditing standards as

information is gathered. Standards note that planning is a continuous process and that auditors should make adjustments as work is being completed.

The initial audit objective sought answers to the following questions,

- Where has program funding been spent?
- What services were provided?
- Who received the services?
- What were the results of the services provided?
- How are training needs established?
- Are training needs aligned with economic development policy?
- What is the level of coordination among state agencies?

Because of material deficiencies in NMDOL's fiscal agent system, it was not possible at this time to determine how program funding was spent. Further, it was not possible to determine what services were provided because the participant data system is still plagued with problems and is not fully functional. As a result, the audit's objectives have been modified. These changes were discussed with LFC at a public hearing in September 2003.

Not answerable at this time,

- Where has program funding been spent?
- What services were provided?
- Who received the services?
- What were the results of the services provided?

The modified audit objective posed the questions,

- How are training needs established?
 - Are training needs aligned with economic development policy?
- What is the level of coordination among state agencies?
 - How can the level of coordination between state agencies be improved?
 - Where can organizational improvements be made?
- How can one-stop services be improved?

While it was not possible at this time to determine all of the information in the original objectives, LFC audit staff will ask NMDOL and local board fiscal agents when that information will be available and follow-up on those objectives at that time.

Scope. The audit's scope called for an independent assessment of the performance and management of New Mexico's implementation of WIA and was not affected by deficiencies noted above. The audit continued to examine New Mexico's implementation of WIA. The audit period is July 2000, when WIA was implemented in New Mexico, through the report date.

Authority for Review. The Legislative Finance Committee has the statutory authority under Section 2-5-3 NMSA 1978 to examine laws governing the finances and operations of departments, agencies and institutions of New Mexico and all of its political subdivisions, the effects of laws on the proper functioning of these governmental units and the policies and costs of governmental units as related to the laws, and to make recommendations to the Legislature. In

the furtherance of its statutory responsibility, the LFC may conduct inquiries into specific transactions affecting the operating policies and cost of governmental units and their compliance with state law.

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Exit Conference. An exit conference was held on November 4, 2003, with Secretary Conroy Chino of NMDOL. Also participating were representatives of each of the local boards and DFA. A separate meeting with representatives of the department was held on November 10, 2003. Per their request, LFC staff provided a copy of the audit for comment to the Division of Vocational Rehabilitation and Commission for the Blind, which are tangentially involved in WIA and might be affected by recommendations in the report.

Report Distribution. This report is intended for members of the Legislative Finance Committee and committee staff. The report also contains recommendations for the governor, executive branch agencies, the state administrative entity for WIA, the State Workforce Development Board, local workforce development boards, NMDOL and the State Budget Division (SBD). The audit was distributed to LFC, parties with recommendations, other involved agencies and the State Auditor. Nothing in this statement is intended to limit the distribution of this report, which is a matter of public record.



Manu Patel,
Deputy Director for Performance Audit

Findings and Recommendations

NEW MEXICO'S WIA ORGANIZATION

The findings identified in this report are a direct result of the state failing to do an adequate job of implementing WIA. While the current administration has taken some positive steps, it has not addressed the key issue surrounding WIA in New Mexico the inherent conflict between having the oversight function and operational components in the same department.

Finding 1: New Mexico's implementation of WIA can be improved by transferring management and oversight responsibilities to a new agency or organization.

An important ingredient of WIA success in other states is not favoring one agency over another. Utah accomplished this task by combining labor and human services functions into a single agency. Florida streamlined service by placing employment and welfare support services under the same board, Workforce Florida, Inc. Other states, like Wisconsin and Michigan, combined all workforce development activities. By placing WIA in NMDOL and allowing NMDOL to serve as the administrative and fiscal agency for the state board, New Mexico has created an environment that favors NMDOL over other agencies.

New Mexico's current WIA system is affected by several components. The first (finding 3) is the lack of participation by WIA's required partners. WIA outlines 19 programs across a number of agencies that are required to partner within the state's WIA system. The lack of partner participation can be traced to agencies concern over what they view as turning control of their programs over to NMDOL. There is no evidence that this fear is justified. A perception of granting another agency influence should not be an excuse for a failure to meet WIA's statutory requirements.

The second component relates to NMDOL's dual roles. Figure 11 on page 45 shows how NMDOL is both a one-stop operator and provides program oversight. This puts the secretary of NMDOL in the position of both supervising and regulating the program. This creates independence issues for the operation of the program. It is a good business practice and part of effective internal accounting and management controls to have segregation of duties.

Throughout this report, it is recommended, that the "state" should take actions to improve the workforce development system, specifically New Mexico's implementation of WIA. The choice of the word state, as opposed to a specific agency, is deliberate. Existing federal programs and their state counterparts are often encouraged by systems and requirements to behave like stand-alone silos. An example is the budget process where LFC and SBD consider and independently makes recommendations for mandatory programs in WIA. The state should consider methods that would examine agency budgets within the framework required by WIA.

Many of the problems identified in this report are a direct result of the inability of NMDOL's Job Training Division (JTD) to adequately govern and provide recommendations concerning WIA. NMDOL needs to be more sensitive to the issue of involvement by NMDOL's Employment Security Division (ESD) personnel in WIA execution. NMDOL should avoid assignment of tasks that are the responsibility of the local boards. To ensure maximum cooperation with local

boards and partners, the state should solicit local and state workforce board support and involvement in their planning efforts to improve the overall one stop system for the state.

An important ingredient for the successful implementation of WIA is policies that do not favor certain agencies and programs over others. NMDOL is a mandatory partner, one-stop operator, and fiscal agent and the staff for the state board. The governor has also given NMDOL responsibilities under WIA to provide technical assistance and oversight over the program and local boards. As a result of this conflict, LFC audit staff concludes that a neutral party should manage WIA.

A neutral manager for WIA can provide support for the state board without it being perceived as actions or recommendations that benefit individual programs. To ensure neutrality the agency designated as the state administrative entity for WIA should not engage in any WIA-contracted activity. The state administrative entity should administer WIA funds and use state administrative funds for operational costs, but should not have a financial interest in how WIA services are delivered. This solution has many advantages and is consistent with the goal of ensuring no agency or program has an advantage.

The recommendations comprise two-steps. In the first step, the governor would designate a new entity as the state administrative entity for WIA. This would partially remove the perceived conflict of interest NMDOL has in WIA. In the second step, the Legislature would amend state statute to change the fiscal and administrative agent for the state board. The Legislature should also move NMDOL staff involved with WIA monitoring, technical assistance and administration to the new entity designated by the governor.

The second step does not have to be preceded by action on the part of the governor. If the governor does not change the state administrative entity for WIA prior to the 2004 Legislative session, the Legislature should consider passing legislation to create an Office of Workforce Cooperation, Oversight and Planning administratively attached to the Department of Finance and Administration or the governor's Office. Such legislation should sunset in three years, to allow the governor to propose a different structure.

The new state administrative entity, whether proposed by the governor or the Legislature, should have responsibilities beyond WIA. The office needs to be significantly engaged in the three workforce activities identified in its name. The office needs to be in charge of ensuring that agencies and programs related to workforce development work together on workforce development. The office should focus on best practices, not a minimal compliance with the law. The office also needs oversight powers not just for WIA, but for all workforce training programs, allowing NMDOL to focus on its core programs Unemployment Insurance and Wagner-Peyser. All agencies with workforce programs need to have those programs reviewed and monitored by a common set of performance measures. The entity should either provide assistance to unsuccessful agencies or consider canceling their programs. The office also needs the ability to effectively engage in workforce planning. To accomplish this task, it should work with a streamlined state board to improve the planning and direction for workforce development.

To accomplish these tasks the office will need strong leadership and close ties to the governor. While governor's appointees can lead the office, it needs a solid professional staff through which to conduct its operations. The office should also be prohibited from engaging in service delivery and activities that might create a conflict of interest with its mandated duties. The agency should also work with the state board to award state contracts in highly transparent process with clear goals and accountability measures for contractors.

Removing planning, coordinating, and oversight responsibilities from NMDOL would allow NMDOL to focus on its core programs and fully participate as a partner in the central and northern local areas. A program administrative entity can develop performance standards that encourage partners to stop behaving like stand-alone silos. It can also ensure the state's solutions and policies do not favor one partner over another.

Recommendations

Specifically the governor should

- Designate a new agency or organization as the state administrative entity for WIA.

Specifically the Legislature should

- Amend state law so that NMDOL is no longer the fiscal or administrative agent for the state board;
- Amend state law to move the monitoring and technical assistance functions for WIA from NMDOL to the new designated entity.

Specifically LFC and the State budget Division should

- Require that all agencies with workforce development activities adopt the following performance measures starting in FY06,
 - Percent of participants entering into unsubsidized employment;
 - Percent retained in unsubsidized employment six months after entry into the employment;
 - Percent increase in earning from unsubsidized employment.

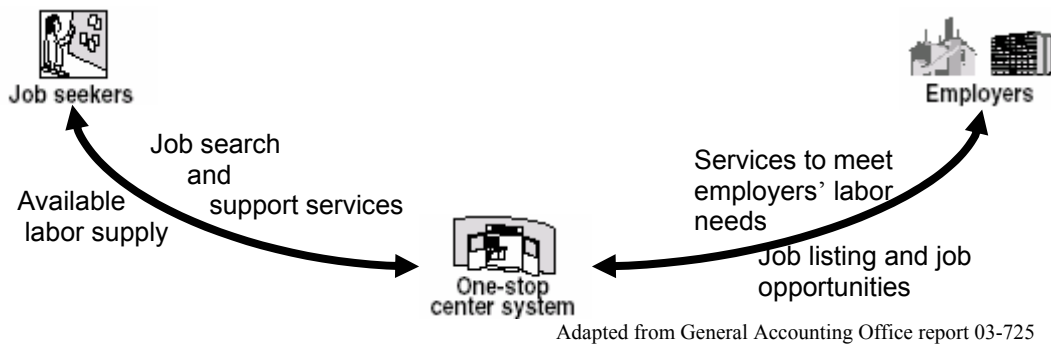
SERVICE DELIVERY

One-Stop Centers. New Mexico's self identified one-stop centers do not comprise a comprehensive one-stop system. The creation of truly comprehensive one-stop centers should be a state priority. In a comprehensive one-stop center, services from all 19 federally mandated partners are available on-site by either a physical presence or an electronic link. No workforce development office or self identified one-stop center in New Mexico has access to all federally mandated partners.

Finding 2: The State needs to increase efforts, assistance and cooperation by all mandatory partners to make one-stop centers truly comprehensive.

WIA designated one-stop centers as the service delivery mechanism through which a broad array of services are provided. The one-stop system is designed to bring together various agencies responsible for administering workforce investment, education and other human resource programs and funding streams. The one-stop delivery system is how local boards work with one-stop partners to create what WIA regulations call “a seamless system of service delivery that will enhance access to the programs’ services and improve long-term employment outcomes for individuals receiving assistance.” If properly implemented, participants seeking employment and training services will have an improved and coordinated system.

Figure 1 Model One-Stop



Not only is the one-stop system designed to make programs more accessible to participants, but WIA requires that the one-stop system engage employers by providing various services that help employers meet their hiring needs, including identifying and recruiting skilled workers. While there is some flexibility in meeting these requirements, the law emphasizes that the one-stop system should be a customer-focused and comprehensive system organized around providing services to employers and providing participants with customer choice, life-long learning, job placement, job retention and related information in a single location.

The state plays an important role in the one-stop process. The previous NMDOL administration supported the development of one-stop center through grants to local boards. The previous NMDOL secretary played a key role in moving ESD into the Ruidoso one-stop. The current secretary has detailed the deputy director ESD to the secretary's office in support of improving partner participation in the one-stop center.

Outside groups are assisting this process, the New Mexico Association of Community Colleges through their Community Colleges Bridges Opportunity Project in their *Report to the Governor from the Stakeholders Coalition* recommended that New Mexico “define and mandate agency roles and participation in an integrated workforce education system.” Their recent proposal with the governor, NMDOL, HSD and the LFC for a National Governor Association's Policy Academy grant on Cross-System Innovation: Improving Outcomes for Low-Income Families and Children is an excellent first step by key partners to think strategically about this issue.

While state and federal agencies have responsibilities within the one-stop system, the primary responsibility rests with the local boards. The local boards, in concert with the state, work to

create, maintain and enhance the array of services available to participants. Local and state boards are supposed to work to improve the quality of those services via several mechanisms.

The one-stop system should also promote efficiencies through savings associated with an integrated system. In New Mexico, the one-stop system is characterized by setting up a physical location and calling it a one-stop center. Memorandums of understanding with partners, a list of partners on a website or attendance of partners at general meetings do not constitute a functional one-stop system. Agencies need to be co-located and provide coordinated services through common intake.

Per the WIA regulations, New Mexico has identified, and USDOL has recognized, "comprehensive" one-stop center. The state's identified "comprehensive" one-stop centers are located in Ruidoso, Santa Fe, Albuquerque TVI's Workforce Training Center and Las Cruces. Only Ruidoso approaches what could be considered a comprehensive one-stop center and it is missing services from mandatory partners Division of Vocational Rehabilitation (DVR), Trade Adjustment Assistance and Senior Community Service Employment programs. The one-stop center in Ruidoso has on-site representation from Labor's Employment Security Division, the Human Services Department (HSD), the Region 9 Education Cooperative, Eastern New Mexico University's Roswell and Ruidoso branches, the state Adult Basic Education program, and the New Mexico Coalition for Literacy (NMCL). The one-stop could also benefit from having a co-located CYFD representative, currently the one-stop has to refer participants that are eligible for child care to Alamogordo. Starting next year, the center will add a small business incubator.

The northern board also has a pilot comprehensive one-stop center in Farmington located in a facility at San Juan Community College. The Chamber of Commerce in Portales, working with the city and county is expected to open a facility next year that will co-locate NMDOL, HSD and the chamber's economic business outreach services. The one-stop center in Ruidoso and the initiatives in Portales and Farmington is a community-driven activity. Local boards are encouraged to continue to work with local officials to make one-stop center more than a marketing initiative. The state should also assist local boards and communities in efforts to create authentic one-stop centers.

An example of the problematic relationship NMDOL has with WIA is how it identifies itself and directs clients in areas where it is not the one-stop operator. NMDOL's web page contains a link to "One-Stop Career Centers and Workforce Development Centers." These links, though, go to ESD locations not the one-stop operator. NMDOL's website is not the only website with this problem, the northern board's website still directs potential participants to ESD offices. This is confusing because participants need to go to NMDOL to receive core services. The problem would be greatly reduced if agencies were co-located at one-stop centers.

Industry best practices indicate integration of the one-stop system should occur on at least two levels. The first best practice is co-location of partners in a one-stop center. The second best practice is the integration of partners' information technology systems, especially client intake. New Mexico is a long way from being able to start implementing these best practices.

The co-location of partners can happen at various stages and to varying degrees. One scenario allows for a general one-stop center with personnel assigned from various agencies. Another requires the construction or lease of a facility to house all the agencies and their staff. A third moves staff among all offices so that the state would have many satellite one-stop centers instead of large central offices.

The state needs to determine which solutions work in particular situations. The construction or lease of a facility to house all agencies related to workforce development should be considered by the General Services Department (GSD) when looking to consolidate state office buildings. GSD can also assist the process by working to coordinate agencies individual rental of facilities. The third solution of moving all staff will require improved partner participation and more robust information technology systems. The first solution is ideal, but raises questions about how an environment can be created that does not favor one agency over another.

These steps go beyond what is required in the current one-stop system in New Mexico. The solution will be painful and will require NMDOL to significantly change its operations. Corporation for a Skilled Workforce in their report on *Benchmarking One-stop Center* pointed out that a key to successful one-stop centers is neutral management. As the largest mandatory partner, NMDOL plays a crucial role in providing core workforce development services. Its facilities are often centrally located and are familiar to potential participants. The facilities though are often labeled as NMDOL field offices. To create a situation that does not appear to favor anyone agency and clearly identifies the role the state has in the facilities, the state should assume management of NMDOL field offices. The state will then lease space to the one-stop operator and partners so that the facility can remain accessible to WIA participants. To ensure an efficient use of space by local boards, the state should also mandate that local boards use these facilities.

These processes address physical locations, which disenfranchises many of the state rural population who cannot get to a physical location. These individuals also have limited Internet access through which to receive services or information about services. The state needs to ensure that in rural communities without a physical location, that potential participants can assess Internet service at any available government facility. The state, in cooperation with the local boards, should also obtain a mobile one-stop center to serve rural New Mexico. A mobile one-stop center could also be used to assist rapid response and dislocated workers by providing services at a particular job site.

WIA and partner services available at one-stop centers can vary. A potential participant has no way of knowing what is available at a particular facility. The state should develop criteria to certify one-stop centers so that the term one-stop or comprehensive one-stop is used consistently with WIA outreach. This will also enable local boards to target improvements to one-stop centers based on their certification.

As part of targeting improvements in one-stop centers it is important to remember that local boards are responsible for establishing the goals and standards for their one-stop system. Local boards should then evaluate agency partners and one-stop operators on their efforts to meet these goals. The NAWB recommends that the review process be a flexible, interactive and iterative if

it is to be integrated into the culture of their one-stop system. They also note that the “day-to-day management of the system is the responsibility of the staff of the workforce board and the service provider agencies involved.”

The WIA reauthorization bills contain provisions for one-stop infrastructure funding. The governor, consulting with the state board and possibly chief elected officials and local board members, would need to develop a funding policy to determine partners' contribution to an infrastructure fund. The infrastructure fund would not pay for personnel costs, but would support implementation and be distributed to local boards through a state-board-determined formula. To provide an incentive for participation, the governor and the state board should have all mandatory partners pay for infrastructure cost even if they do not participate. If allowed by regulation, the state should consider using some of this money to support a common intake system.

While these steps go beyond what is required, they are basic best practices that should be implemented. The consistent naming of offices will eliminate confusion about the one-stop system and allow the state to engage in improved outreach for the system.

Recommendations

Specifically the state should

- Assume control over all primary state facilities involved in delivery of WIA services;
- Obtain one or more mobile one-stop centers to serve rural New Mexico and rapid response dislocated workers;
- Identify potential Internet sites in government offices and conduct training and outreach to ensure that workforce services are available and utilized;
- Create guidelines that local boards can use to certify one-stop centers based on service availability and partner participation.

Specifically the Legislature should

- Require that GSD promote the co-location of agencies and report to the Legislature on their efforts.

Partners. WIA defines mandatory and recommended partners to work within the one-stop system. New Mexico partners are not fully participating or committed to the one-stop system under WIA

Finding 3: Partner programs in New Mexico do not fully participate in WIA's one-stop system.

How partners are included within a specific one-stop physical location involves different approaches to the one-stop system or a particular center. These differences occur because WIA allows flexibility in the way mandatory partners provide services through the one-stop system, allowing co-location, electronic linkages or referrals to off-site partner programs. Each of these service provisions has a best practice associated with its implementation.

Ideally, participants should be referred to off-site partners for specialized services that address specific needs or populations. This could include an off-site facility for dislocated workers associated with a particular plant closing. When a large number of participants enter the system from an individual plant or industry, a separate facility set up to handle the influx of participants is recommended. In New Mexico, as in other states, there are often agencies that handle participants with special needs. While these participants can be served through the traditional one-stop system, their needs are often more successfully addressed by these other agencies. In New Mexico, a good example would be the Commission for the Blind that has excellent services and ranks in the top five nationally in several key performance outcome measures.

Figure 2 WIA Mandatory and Recommended Partners

Mandatory Partners

- Programs authorized under Title I of WIA, serving adults, dislocated workers, youth, Job Corps, Native American programs, migrant and seasonal farm worker programs, and veterans' workforce programs;
- Programs authorized under the Wagner-Peyser Act Adult education and literacy activities authorized under Title II of WIA;
- Programs authorized under parts A and B of Title I of the federal Rehabilitation Act
- Senior community service employment activities;
- Postsecondary vocational education activities under the federal Carl D. Perkins Vocational and Applied Technology Education Act;
- Trade Adjustment Assistance;
- Local veterans' employment representatives and disabled veterans outreach programs;
- Employment and training activities carried out under the federal Community Services Block Grant
- Employment and training activities carried out by the U.S. Department of Housing and Urban Development; and
- Programs authorized under state unemployment compensation laws.

Recommended Partners

- Temporary Assistance for Needy Families programs;
- Employment and training programs authorized under the federal Food Stamp Act of 1977;
- Work programs authorized under the Food Stamp Act;
- Programs authorized under the federal National and Community Service Act of 1990; and
- Other appropriate federal, state or local programs, including programs related to transportation and housing and programs in the private sector.

New Mexico's efforts should be focused on best practices, not just providing participants with basic information through an Internet connection. Use of the Internet is often said to suffice for providing information about the services offered by mandatory partners. However, the Corporation for a Skilled Workforce in their report *Benchmarking One-stop Centers, Understanding Keys to Success* identified best practices in the area of electronic linkages that go

far beyond allowing participants to access information over the Internet about a program. They include,

- Steps to integrate case management functions, including a common intake system,
- Assessment tools, and
- Tracking and sharing of information.

Co-location of partners is the centerpiece of the one-stop system. Numerous benchmarking, best practice, and implementation guides discuss the advantages that result when partners are co-located. WIA regulations require that each local area should have one comprehensive center. While the regulations do not explicitly require that partners be physically co-located at the comprehensive one-stop center, the showpiece of the one-stop system is the comprehensive, physical one-stop center. Co-location can also save money on staff, physical cost and would lower the cost of communication and data lines when implementing the Magnet project.

Figure 2 identifies partners under Title I of WIA. WIA also recommends additional partners related to Temporary for Needy Families (TANF) programs; employment, training and work programs authorized under the federal Food Stamp Act of 1977; programs authorized under the federal National and Community Service Act of 1990; and other programs related to transportation and housing.

As part of this audit, LFC requested that DVR, HSD and the Children, Youth and Families Department (CYFD) compare their client lists with WIA participants. Auditors found that 25 percent of WIA participants had also received services from DVR. HSD had over a 50 percent match with WIA participants and 13 percent were active in the TANF program within the last 18 months. CYFD's child care records indicated that more than 1 thousand WIA participants also received child-care services from CYFD. This analysis highlights how many times participants perform common intake functions and likely duplication of services.

Through the one-stop system and partner participation, WIA is supposed to improve agency coordination and reduce the likely duplication of services. Without partner participation it is unlikely that duplication of services will be discovered and other operational efficiencies obtained. As their counterparts have done in other states, departments in New Mexico will need to address the confidentiality of participants in a more integrated system.

The one-stop system is in need of movement beyond its current status. The involvement of partners in the system must be supported by detailed policies and procedures that result in one-stop centers providing services and products in a coordinated manner, which enhances the system as a whole. To counter the inherent institutional disincentives for agency involvement, the Legislature can use the appropriation process to encourage greater co-location of partners within the one-stop center. Eventually the governor and the Legislature will need to look at possible reorganization of agencies involved in workforce development.

Recommendations

Specifically the governor should

- Issue an administrative order on partner participation in the one-stop.

Specifically the Legislature should

- Insert language in the General Appropriation Act that requires co-location of mandatory and recommended partner program staff in selected locations.

Specifically the state should

- Ensure that the one-stop system in New Mexico moves beyond a paper exercise and becomes an operational system that brings agencies together and does not favor one agency or program over another,
- Publish a semiannual report on agency participation in the one-stop centers for the governor and the state board,
- Act as an impartial facilitator of discussions between local boards and agency partners.

Participants. A premise of WIA is that participants will make informed choices about training and occupations options. Participants in New Mexico lack this relevant performance information. The state has applied for and received a waiver that postpones when providers will be required to submit performance information. Training providers have not had to report on their performance and as a result participants lack the consumer information they need to make informed choice about training providers.

Finding 4: Participants need provider performance information to make informed training choices.

Figure 3 WIA Required Training Provider Performance Information

For individuals participating in the applicable program
<ul style="list-style-type: none">• Program completion rates• Percentage of all individuals who obtain unsubsidized employment<ul style="list-style-type: none">○ May also include the percentage of the individuals who obtain unsubsidized employment in an occupation related to the program conducted• The wages at placement in employment• Information on program costs (such as tuition and fees) for participants in the applicable program
For WIA participants who received assistance and completed the program
<ul style="list-style-type: none">• Percentage of participants placed in unsubsidized employment• Retention rates in unsubsidized employment six months after the first day of the employment• The wages received by participants six months after the first day of the employment• Where appropriate,<ul style="list-style-type: none">○ The rates of licensure or certification,○ Attainment of academic degrees or equivalents, or○ Attainment of other measures of skills, of the graduates of the applicable program

WIA specifically defines a participant as an “individual who has been determined to be eligible to participate in and who is receiving services.” However, this report uses the term participants to describe individuals from the target populations in need of or receiving services through WIA. Providing services for participants is not as straight forward as serving everybody who walks

through the door. Each of the targeted populations has separate eligibility criteria. This audit did not audit WIA's older youth and youth programs.

Figure 4 Adult and Dislocated Worker Eligibility Criteria

The eligibility for adult program core services is an individual, <ul style="list-style-type: none">• Eighteen years or older
The eligibility for dislocated workers core services is an individual, <ul style="list-style-type: none">• Who has been terminated or laid off, or who has received a notice of termination or layoff, from employment;• Who is eligible for or has exhausted entitlement to unemployment compensation; or• Who has been employed for a duration sufficient to demonstrate attachment to the workforce, but is not eligible for unemployment compensation due to<ul style="list-style-type: none">○ insufficient earnings or○ having performed services for an employer that were not covered under a State unemployment compensation law;○ and is unlikely to return to a previous industry or occupation• Who has been terminated or laid off, or has received a notice of termination or layoff, from employment as a result of any permanent closure of, or any substantial layoff at, a plant, facility, or enterprise;• Is employed at a facility at which the employer has made a general announcement that such facility will close within 180 days; or• Is employed at a facility at which the employer has made a general announcement that such facility will close;• Was self-employed but is unemployed as a result of general economic conditions in the community in which the individual resides or because of natural disasters; or• Is a displaced homemaker

While WIA outlines basic requirements for eligibility, it also allows the local boards to influence eligibility by establishing priority of service policies for their adult programs. Priority of service policies may be implemented when funds allocated to a local area are limited. When priority of service is implemented, WIA requires that services go to low-income individuals and public assistance recipients. Local boards and the governor can direct one-stop operators on priority determinations. The criteria for priority determination must be contained in the local board's workforce plan.

The priority of service allows local boards and the governor to target services to low-income individuals. Priority of service requirements need to be tailored to the local area. The state information notice concerning on-the-job training (OJT) notes that OJT agreements are "to focus on apprenticeable trades/occupations and training for women in those occupations which are considered non-traditional." This emphasis if implemented would assist local boards and their one-stop operators in assisting targeted populations.

The priority of service is specifically applicable to how the state works with its TANF population. As reported earlier there is a significant overlap between HSD clients and WIA participants. According to a U.S. Department of Labor (USDOL) report, "New Mexico has minimal coordination between its TANF and WIA systems." The same report gave New Mexico

and two other states the lowest ranking of little or no coordination. Coordination can also help improve the overall success for TANF clients. The congressional General Accounting Office in a report on exemplary one-stop centers cited examples where staff reported their co-location had “helped welfare recipients address barriers to employment.”

In both the House and Senate versions of WIA reauthorization TANF and other HSD programs change from a recommended to a mandatory WIA partner. However, the governor can notify USDOL and the U.S. Health and Human Services Department that TANF is not a mandatory partner. The governor should not exercise this option, but look for a way to use the mandatory partner status to achieve improved program coordination and increased efficiencies.

WIA requires that training providers furnish the state with the information contained in Figure 3. The governor is charged with establishing initial eligibility criteria and must also set minimum levels of performance for all providers to remain subsequently eligible. The governor must then designate a state agency to determine if programs meet performance levels, verifying the accuracy of the information, removing programs that do not meet program performance levels and taking appropriate enforcement actions against providers that report inaccurate performance information. Local boards compile the initial provider list for submission to the state. They also collect performance, cost and other required information from providers.

It is through this performance information that participants can make informed choices about their training and occupation options. Without accurate performance information, participants are making decisions based on other factors not related to successful program performance.

New Mexico has implemented a \$7 thousand cap on training services for individual participants. The state information notice on individual training accounts (ITA) limits distributions from such an account to no more than 104 weeks in a five-year period. The next section establishes that the maximum amount of an ITA at \$7 thousand. Because this section has no timeframe, some have interpreted this to mean a lifetime cap and others to mean a cap for the five-year period. The state will need to clarify its information notice as it relates to the \$7 thousand cap.

The \$7 thousand cap for training services is both a necessity and an area for concern. The policy is needed because New Mexico faces diminishing WIA resources. While the policy limits the ability of some training providers to charge high fees, it sets a maximum that providers are allowed to charge. Some training providers charge WIA participants right near the cap. Thus, once a participant takes that course they have used all of their eligible WIA training resources.

Some local boards want to reduce administrative costs and put more money into training services but the boards should be most concerned with results. If one-stop operators can demonstrate that administrative spending on good case management can improve participants' success, then local boards should support these efforts. Despite these reason for the policy, the training cap should be revisited. The cap should not be lifted until the state is assured that

- One-stop operators are engaged in good case management;
- Local boards are monitoring the results for participants in their one-stop system;
- Participants have the performance information about providers required under WIA for them to make informed decisions.

All of the offices visited reported a phenomenon called “reverse referral.” Reverse referral occurs when a training provider sends a current or prospective student to a WIA office for funding. WIA then becomes either a source of financial aid for a student or the training may not be adequately suited for the participant. Both of these are problematic for participants and could potentially prevent them from obtaining training in the future.

Treating WIA program funds as an additional financial aid source is troubling because many of the examples cited by one-stop operators involve public sector higher education institutions. The involvement of public sector higher education institutions raises concerns over the use of federal Pell grants. WIA states,

“REQUIREMENT.—Except as provided in clause (ii), provision of such training services shall be limited to individuals who—

(I) are unable to obtain other grant assistance for such services, including Federal Pell Grants established under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.); or

(II) require assistance beyond the assistance made available under other grant assistance programs, including Federal Pell Grants.

(ii) REIMBURSEMENTS.—Training services may be provided under this paragraph to an individual who otherwise meets the requirements of this paragraph while an application for a Federal Pell Grant is pending, except that if such individual is subsequently awarded a Federal Pell Grant, appropriate reimbursement shall be made to the local area from such Federal Pell Grant.”

Despite the relative clarity of the statute, public institutions have used the following loophole to fund students with WIA and Pell. Because the statute applies to “training services,” a majority of the public institutions in New Mexico have claimed that Pell grants are applied to living expenses. This is consistent with U.S. Department of Education Pell grant regulations that allow the Pell to exceed an institution's tuition.

An examination of participant case files revealed that public higher education institutions in New Mexico do not consistently apply their stated criterion that Pell is for living expenses. Tuition bills without WIA support showed institutions following best practices identified by US Department of Education's for Pell grant operation and deduct tuition prior to disbursing funds to students for living expenses. However when the same student in the same semester received WIA, WIA paid for tuition and the Pell grant was refunded to the student. It is a highly questionable practice to treat WIA participants differently than other students.

Using WIA as a financial aid system for current students is also troubling. Students clearly see it as a way to quickly finance their educational needs. However, this is a short-term solution that can cause problems later in a career. If a student goes to college on WIA and then enters the workforce, the student could well be ineligible for subsequent retraining because of the \$7 thousand cap on WIA training funds in New Mexico. The \$7 thousand cap also works against students referred to a high-priced private sector training provider. WIA also requires that USDOL work to exclude college students when determining a state's adult population.

The state and local boards need to analyze the participants being served by the one-stop system to see if priority of service criterion is working. Given that only 13 percent of WIA participants were active in TANF in the last eighteen months, the analysis should examine whether more aggressive policies are warranted to serve New Mexico's neediest participants. The analysis will involve consideration of the special needs of this population, how to coordinate services with HSD, expanded intensive services and adjustments in New Mexico's training allotment cap.

Recommendations

Specifically the state should,

- Prepare to collect performance information from all providers when its waiver expires on June 30, 2004,
- Ensure that local board's workforce plans contain provisions related to priority of service,
- Ensure that public higher education institutions are treating all Pell grant recipients the same,
- Remove training service providers from the state vendor list when evidence indicates that those providers have engaged or are engaged in questionable recruitment practices,
- Develop procedures that allow one-stop operators to report suspected reverse referrals,
- Annually review the training cap for possible removal or revision.

Specifically public higher education institutions should

- Treat all Pell grant recipients the same,
- Take the lead and develop a system that reports the success of graduates in its academic programs.

Virtual One Stop System Software. The state's goal with the implementation of the virtual one-stop system (VOSS) software systems is to enable a common intake system to collect data once for both NMDOL's employment services and WIA. The software system and processes in place to support the system provide a foundation for an effective computing environment. However, VOSS can benefit from additional efforts that build confidence among users as a reliable management tool, ensure data integrity and enhance customer care.

<p>Finding 5: VOSS can benefit from additional efforts that build confidence among users as a reliable management tool, ensure data integrity and enhance customer care.</p>

The project utilizes an Internet, web-based, self-service software system produced by Geographic Solutions. The system offers service-seekers an alternative to commuting to a service center. This is important to service-seekers who lack transportation, require childcare to leave their homes or, in many cases, live in remote areas of the state. Other solutions proposed by the system are common intake of information that can be shared by other state agencies, expansion of common intake to include other state programs, information reporting from a common database and financial tracking by program or individual. The new system also gives citizens some robust tools for job searching and gives businesses the ability to quickly post job orders to search for qualified candidates. The VOSS software replaces the legacy America's Workforce Solution (AWS) system utilized by NMDOL to administer the labor exchange function per the federal Wagner-Peyser Act.

Project Funding

The following table summarizes costs for the VOSS application system,

Figure 5 VOSS Costs

Description	Expenditures (in millions)
FY02 Budget from 10% WIA Funds	\$1.4
Expended as of September 2003	\$0.7
Encumbered as of September 2003	\$0.1
Balance	\$0.6

Source, New Mexico Department of Labor and Legislative Finance Committee Files

Now that the VOSS application system has been implemented the value this system contributes to the WIA operations will be dependent on activities that enhance the reliability, integrity and availability of information provided by this software system. Activities undertaken by NMDOL to support these objectives include; holding key training sessions during 2003 for providers, workforce staff, board representatives and program managers. NMDOL is directing trained, technical support personnel through funding provided by USDOL and through appointment of key IS and program staff from NMDOL. NMDOL is also coordinating with key stakeholders to identify and prioritize action items to resolve significant issues identified with this software system. These activities should continue to be recognized as ongoing processes and monitored regularly to ensure effectiveness. The following findings and recommendation are intended to complement these proactive activities initiated by NMDOL management.

User Confidence. Several indicators point to lack of user confidence of the VOSS system as a reliable management tool by local workforce boards and other state agencies. A few indicators include

- Delays by local workforce boards in submitting quarterly financial summaries,
- Manual compilation by local workforce boards of performance and caseload reports,
- Out-of-date follow-up activity screens not functioning as needed,
- Concerns expressed by local workforce boards about lack of collaboration in development of business rules,
- Local workforce boards trying to work around business rules programmed into VOSS system,
- System modifications to include additional business rules not standard to the initial configuration and not required to meet requirements of WIA,
- Repeated data conversion errors reported to the technical help desk,
- Lack of use by state agencies such as HSD as a common intake method for programs such as TANF and Food Stamps.

Recommendation

In collaboration with the statewide and local boards, the state should

- Dedicate resources to a leadership team for VOSS, focusing on

- Enhancing statewide acceptance of the VOSS application as a management tool for employment services and WIA,
 - Measuring and publishing organizational acceptance across local workforce boards and other state agencies.
- Publish continuous statewide communications to all levels of management to demonstrate support of the new system and associated positive impacts to the employment process. Communications should also identify and address significant survey trends, issues and support mechanisms.

Database Integrity. No effective database control mechanisms exist to confirm data integrity after migration into the VOSS database or to verify the new VOSS database functions consistently with management intentions. Related evidence includes

- A plan for migrating data from the AWS system to the VOSS system did not include back-out procedures in the event data migration was not successful,
- A plan to continue support of the AWS system until such time that the VOSS system was effectively operational was not acted upon,
- A plan to cleanse data prior to migration into VOSS was not followed,
- The input of county information was not validated with local workforce boards,
- Data often have to be entered more than once because the system does not permanently record data previously entered,
- Changes to database elements are not adequately tested in the proper environment to ensure fixes do not negatively impact other elements within the database.

Recommendation

The state, in consultation with the local boards, should establish formal policies and procedures to ensure the integrity of the VOSS database system. These policies should ensure

- Management of NMDOL and local workforce boards approve a plan for reviewing and cleansing data by local workforce boards,
- Management approves the results of data conversion and data-cleansing efforts and ensures the conversion is performed in accordance with established conversion policies and procedures,
- Management approves requests for modifications to data structures including upgrades and fixes released by vendors,
- Management assesses and reviews the impact of proposed data structure changes before implementation to minimize disruptions to operations,
- Management reviews systems performance reports and ensures adequate action is taken upon identification of inefficient performance and formulates and implements solutions,
- Users are trained on appropriate use of substantially modified systems and management monitors compliance with these procedures,
- Modifications to data structures are tested in accordance with test plans that include user acceptance testing,
- Modifications to data structures are evaluated in a test environment before implementation,
- Database changes are implemented in a manner that allows the original environment to be restored, if necessary,

- The VOSS database management system includes an active data dictionary, which is automatically updated for any changes to the database.

Failure of Application Functions To Meet User Needs. User functionality within VOSS appears to be problematic for the following reasons:

- The process to validate federal employer identification numbers can take up to 48 hours. The impact is discouraging employers from posting available jobs to the VOSS database.
- Users have experienced difficulty with the VOSS system improperly calculating participant status based on actual birthdates for juvenile participants. Users were instructed to input invalid birthdates temporarily until a fix could be implemented. Local workforce boards were required to manually track the users whose actual birthdays would have to be updated once the system was fixed.
- Users have experienced difficulty with the follow-up screens not operating as intended. These screens do not allow input of follow-up activities during the six-month period required by WIA regulations, resulting in significant data entry backlogs until the issue is resolved.
- Local workforce board users have not been able to print reports on performance, caseloads and participant financial tracking. Local workforce boards must compile reports manually to meet reporting requirements.
- Local workforce board career advisors cannot access job order data to assist service seekers with job searches.

Recommendation

The state should

- Monitor action items identified through discussions with USDOL, local boards and the application vendor;
- Identify action items that address the critical functionality of the VOSS application.

Application Support. The technical support process for VOSS demonstrates significant weaknesses, such as

- Insufficient technical support resources to adequately resolve problems in the most cost-effective and efficient manner possible and to manage the ongoing operations of the VOSS system,
- Lack of management reporting and oversight of customer care,
- Lack of an effective process to escalate and monitor unresolved information technology trouble tickets,
- Unavailability of a knowledgebase of known problems and resolutions to help information technology desk personnel troubleshoot known problems,
- Poorly defined user-training responsibilities. The VOSS technical support staff is insufficient staff to perform training in addition to application system support.

Recommendation

Specifically the state should update help desk procedures to enhance customer care for the VOSS application. These procedures should ensure

- Sufficient resources (staff, hardware, etc.) are in place to resolve problems in the most effective and cost-efficient manner (This includes implementing tools and techniques to enhance productivity and minimize escalation of problems to higher levels.);
- A resolution knowledgebase is implemented that contain solutions to recurring problems to improve service quality and contain costs;
- Management has practices to ensure data on calls are reviewed to evaluate trends, training needs (of help desk specialists and end-users), root causes and permanent solutions;
- Management has practices and methods for evaluating the service level being provided against pre-established goals;
- Management periodically surveys users to obtain feedback on the service image perceived by customers;
- Management clarifies responsibilities and dedicates resources for ongoing user training and publishes a training plan that ensures continuous training of all users.

EMPLOYER AND PARTICIPANT WIA SERVICES

As the designated service delivery mechanism, one-stop centers offer a wide array of services. WIA mandates some services for one-stop centers. The mandatory one-stop partners under WIA deliver other services. Other services develop as the one-stop system matures. Several outside organizations have identified best practices related to one-stop systems and their service delivery.

WIA-Mandated Participant Services. WIA clearly outlines a progression of services that one-stop center must offer participants. The services are identified as core, intensive and training. WIA requires that participants who are unemployed shall not advance to the next level of service unless they are unable to obtain employment or have been determined to need the next level in order to obtain employment. Participants who are employed should only be offered intensive or core services if they need those services to obtain or retain employment that meets the criteria for self-sufficiency.

<p>Finding 6: New Mexico one-stop centers offer training services prior to adequately determining that participants have been unable to obtain or retain employment.</p>

The service-progression finding is not new. USDOL identified it as a finding in the audits of the local boards. According to the NMCL report, *The Workforce Paradox for Adults with Limited Literacy of English Language Proficiency*, "The population of need rarely gains access to job training services." While audit staff does not explicitly disagree with that specific finding, case files reviewed indicate that participants are fast-tracked into training. The intensive services and case management that would help the populations identified by NMCL is missing. The NMCL population is also harmed by the fact that Adult Basic Education services, a mandatory partner, are offered at only four one-stop centers.

Figure 6 below identifies the services offered and includes the statutory language on service progression.

Figure 6 WIA Service Progression

Step 1	Step 2	Step 3
<p>Core Services</p> <p>Include job search and placement assistance, career counseling, labor market information, skills necessary for occupations in demand, provisions of information on available services and programs, identification of job vacancies, initial assessment of skills and needs, follow-up services to assist in job retention</p> <p>Core Services are available to any individual 18 years of age or older.</p>	<p>Intensive Services</p> <p>Include comprehensive assessments, development of individual employment plans, group and individual counseling, case management and short-term prevocational services</p> <p>Intensive Services are available to adults and dislocated workers who are unemployed and are unable to obtain employment through core services; who have been determined to need intensive services to obtain employment; and those who are employed but need intensive services in order to obtain or retain employment that allows for self-sufficiency.</p>	<p>Training Services</p> <p>Includes occupational skills training, on-the-job training; skill upgrading and retraining; entrepreneurial training; job readiness training; adult education and literacy activities provided in combination with other training services</p> <p>Training services are available to employed and unemployed adults and dislocated workers who meet the following criteria, be eligible for intensive services; after an interview, evaluation, or assessment, and case management have been determined to need training services; select program training services linked to employment opportunities; unable to obtain grant assistance to pay for training; and for individuals whose services are provided through the adult funding stream.</p>

Federal regulations clearly state that at “a minimum, an individual must receive at least one core service, such as an initial assessment or job search and placement assistance, before receiving intensive services.” The regulations also point out that there is no minimum required time period for participation in core services. The state regulations are consistent with the federal regulations on these points.

The need for intensive services is established by the initial assessment or the individual's inability to obtain or retain employment through the core services provided. The participant's

case file should contain documentation that shows how the need was established. During case file review, the initial assessment documentation was missing or failed to adequately justify intensive services. Additionally, the files did not contain proof of the individual's inability to obtain employment through the core services provided in any files reviewed. In most cases, the individual went through core and intensive to training services in the same day.

WIA contains some important ingredients that are not practical in application, although they are conceptually sound. Many of these revolve around training providers and have enabled training providers to essentially game the system. To become an eligible training provider, a provider needs to have a course of study approved in a local area. Once a training provider's program is approved in a local area, it is available to participants all over the state. WIA allows the participant "consumer choice" in the selection of training providers. Consumer choice allows a participant to choose any provider on the state eligible training provider list.

Once a training provider's program is on the approved list, that provider can refer individuals to WIA for funding. The process of "reverse referral" is technically illegal, but is extremely hard to prove. This process, when combined with New Mexico's quick referral to training services, results in training providers being able to charge near the training cap and then recruit potential clients and customers and send them to WIA for funding. These participants have then used up their lifetime training cap.

To help instill confidence in the system, WIA has some built-in safeguards. Training must be directly linked to occupations in demand in the local area or in sectors of the economy that have a high potential for sustained demand or growth. Case file review indicated that if the occupation appears on NMDOL's occupation list, the file will often contain a copy of the list. If the training is not for an in-demand occupation, the documentation is conspicuously missing.

Local boards' role in approving and reviewing training providers and programs has been limited to the basic requirements of the act. Local boards have allowed their one-stop operators to make decisions about occupations in demand and assign training based largely on consumer choice, but not informed consumer choice. As noted earlier in reference to participants, the lack of provider performance information is also problematic for local boards. Local boards need that information to significantly strengthen their monitoring of one-stop operators. Improved local board processes for approving and monitoring training providers needs to occur for this to be successful.

Initially, local boards and the state should remove any training programs not directly tied to occupations in demand. As an example the state approved provider list contains training for massage therapist that is not tied to an occupation in demand and charges \$6,621. The state should examine their criteria for determining occupations in demand to ensure that participants will be able to obtain a self-sufficient wage.

WIA allows training for occupations identified by either being in-demand or having a high potential for sustained demand or growth in the local area. The in-demand occupations come from the state's labor market information survey. The in-demand process could be improved by identifying occupations in demand for each local board geographic areas. This work needs to not

only be based on NMDOL's labor market information, but also on work done by the EDD and local economic development organizations. The Legislature should fund an economist position in EDD to assist local boards in improving their identification of economic areas that have a high potential for sustained demand or growth in the local area. These efforts will help local boards in approving training programs for their participants.

The training provider approval process should be immediately strengthened. If local boards are going to grant their administrative entities the authority to approve training providers they need to do so through official action recorded in their minutes. If the local board is going to retain the right to approve training providers then approval of providers needs to also be an official action recorded in the minutes. Either way the approval process should center on training programs not training providers. Local boards should establish consistent WIA criteria by which training programs are approved.

As noted earlier, New Mexico applied for and received a waiver that postpones when training providers report required performance information. This information is essential to not only participants, but in helping local boards determine the subsequent eligibility of training providers. As a result, local boards have not evaluated the success of training providers, and an integral part of the quality control feedback loop is missing. Local boards and the state should evaluate providers' performance and determine their subsequent eligibility based on their reported performance.

To improve WIA's relationship with training providers, the state should require written contracts between the training provider and the local board. The contracts should require the following:

- Performance information is submitted within established timeframes.
- WIA participants are treated the same as other students.
- All participant information is available for review.
- Billing and payment is conducted within timeframes.

Additionally, the state should consider operating on a reimbursement basis. Under these types of contracts local boards would only pay for training after the participant fulfills the terms of their individual contracts. If the student does not graduate or receive certification or appropriate employment then the training provider does not receive payment. Contracts established in this manner provide an incentive for training providers to properly train and place students enrolled in training programs. Training providers would also have an incentive to ensure participants are attending and participating in their training. The contracts should also not allow training providers to hold students liable for unpaid tuition and fees that would be covered by WIA.

Another option that the state should consider for individual training account contracts and on-the-job training (OJT) is performance contracts. The state information notice on OJT states a "mandated performance outcome for OJT is retention of the participant in permanent unsubsidized employment upon successful completion of training." However the current payment structure for OJT agreements reimburses the employer only while the OJT is underway. An OJT performance contract, for up to 50 percent of the participant's salary during training, could be structured with these criteria:

- 50 percent payable during on-the-job training,

- 25 percent upon three-month job retention (following the OJT), and
- 25 percent if six-month salary requirements are met.

A training contract could include provisions for placement or certification as mentioned previously. This would focus training providers and employers on the desired outcome for the training program. These types of contracts should be required for all customized training contracts. Local boards could also use this method for one-stop operator contracts.

A best practice is illustrated by how North Carolina handles both the state list and provider performance information. North Carolina shows all approved programs by local area. They also have a system that shows the results for public sector higher education programs, with other training providers to be added shortly. The system offers a clear indication of graduates' success and future expected earnings. The performance information system is managed by the community college system. New Mexico would do well to invest in a similar system.

The specific New Mexico practices identified in this section have undermined the key principles of service progression, consumer choice and training in occupations with a future. These practices directly contradict congressional intent and harm participants, business and the public.

Recommendations

Specifically the state should

- Require that all training providers have contracts with local boards that contain the required WIA elements,
- Evaluate the success of various training providers and remove providers that have not met acceptable standards,
- Remove training service providers from the state vendor list when evidence indicates that those providers have engaged or are engaged in questionable recruitment practices,
- Develop procedures that allow one-stop operators to report suspected reverse referrals,
- Review criteria established by the local boards for approving training programs,
- Create provisions that allow for performance contracting by local boards with training providers and OJT employers.

Specifically the Legislature should

- Provide the local boards with economic development analysis and direct ties to EDD, by funding in the General Appropriation Act an economist position in EDD to assist the local boards on economic development issues.

Specifically local boards should

- Approve training programs by ensuring their ties to appropriate occupations,
- Review training approved by one-stop operators to ensure that it meets approved criteria and is consistent with board directives,
- Establish WIA consistent criteria for the approval of training programs,
- Improve ties to local and state economic development entities.

WIA Employer Services. An important aspect of WIA is illustrated by Figure 1 is the services provided to employers. WIA assigns local boards the responsibility for establishing employer linkages and promoting private sector participation. The local boards are also charged with ensuring the effective provision of services to assist employers in meeting their hiring needs. WIA allows this to be done through the one-stop operator or other organizations.

<p>Finding 7: New Mexico can use WIA to improve its coordination of employer services.</p>

In New Mexico the central and eastern boards have contracted with the SAOA to provide these services. SAOA works with NMDOL and one-stop operators in these local board areas. The eastern board's agreement with SAOA requires that they hire seven "business liaisons" to educate business leaders on the products and services available through the workforce system and augment existing services by connecting business customers to products and services offered by the one-stop system and other resources. The northern board includes language related to employer services in their contract with SERCO, their one-stop operator.

In response to a survey on NMDOL and one-stop offices, 70 percent indicated that they had a written employer service policy. Ninety-three percent said they kept a log of employer contacts and 81 percent track the time staff has direct contact with employers. Sixty-three percent measure employer satisfaction with their services. These numbers indicate the experience NMDOL has under Wagner-Peyser in conducting applicant screening and job referrals.

While the actions taken by the central and eastern boards are a commendable attempt to begin the process of informing employers about services and bring them into the one-stop system, they are not sufficient. The provision of business services needs to be an integral part of the one-stop system. The one-stop operator does not necessarily need to be the employer services contractor, but they should be held accountable for integrating business services into their operations.

The Corporation for a Skilled Workforce in their report *Benchmarking One-Stop Centers, Understanding Keys to Success* identified several factors that improve employer services. One of the success factors is how employer satisfaction is measured and how the data is used. The other is how employer services are managed at the one-stop- and local-board levels. Both of these factors are conditioned on having a one-stop system with partner participation.

The problems associated with the lack of partner participation are highlighted in the provision of employer services. GAO in their report on exemplary one-stop centers found that all had "dedicated staff to establish relationships with employers." GAO found that this was important in "minimizing the burden on employers who previously may have been contacted by multiple one-stop programs."

Local boards should also play a crucial role in integrating employer and participant services. The employer focus of WIA, as expressed by its majority business component, is not because private sector business members are better than public sector members, but because they are the primary customer of WIA's end product. As a result they have an understanding of the system's desired

outcomes. One-stop operators and administrative entities should use these members to ensure that employer services are functioning to improve participant outcomes.

To ensure that WIA's system of one-stop centers is improving coordination of business services, the state needs to work with the business sector to determine service priorities. One-stop centers should be evaluated not only on their current business services, but on how they assess the needs of the local business community. This will help to ensure that they are providing services for the entire community not just those currently participating. The coordination of employer services can only come with full partner participation in the one-stop centers.

Recommendations

Specifically the local boards should

- Provide business services through their one-stop centers,
- Evaluate their one-stop centers on the provision of business services,
- Ensure services meet the needs of businesses.

WIA'S FRAMEWORK

WIA Board Responsibilities. WIA establishes state and local boards through which the program is administered. The findings throughout this report are a direct result of the state not ensuring that the state and local boards have fulfilled their responsibilities. New Mexico's WIA system requires strong leadership on the part of the governor to assist the state and local boards in fulfilling their responsibilities.

Local boards are created and appointed by what WIA calls the "chief elected official." The chief elected official is the chief elected executive officer of a unit of general local government in a local area or, as in New Mexico's case, the individual designated by the local governments in the local area. The chief elected officials are liable for and have oversight responsibilities for local boards. They should monitor local board activities and participate by appointing board members. Chief elected officials need to conduct these duties with due diligence as they are liable for the local boards' actions.

A primary intent of WIA is to emphasize business participation to ensure that the WIA program serves the business community and promotes regional economic vitality. This business emphasis is reinforced by the requirement that both the state and local boards have a majority of business members and that one of those business members serves as chair.

The local board's role of integrating and coordinating workforce investment activities with local economic development strategies is significantly different from that associated with the private industry councils that preceded them under JTPA. Private industry councils served mostly in a managerial role providing employment and training services funded under JTPA. Under WIA, local boards are not allowed to directly provide core, intensive, or training services without a waiver from their chief elected official and the governor. Additionally, local boards cannot serve as one-stop operators without a similar waiver.

As a result, local boards serve more as brokers than as direct service providers. Local boards are expected to stay out of direct service delivery and develop other employer linkages with such activities. NAWB reported that the local "board's main task is to get heretofore independent agencies to work together." NAWB goes on to warn boards against taking a managerial role in the one-stop centers.

What constitutes a managerial role is a point of contention with many. Activity seen as appropriate oversight by the local board might be seen as management by the one-stop operator.. As an example, if a local board limits the type of training services available, is it taking a managerial role? While these requirements intrude into the operation of the one-stop system and program implementation at a participant level, they do not necessarily constitute managerial activity. On the other hand, it is perfectly appropriate under WIA for a local board to establish supportive service requirements to ensure resources and service coordination. Supportive service guidelines are very different from training service restrictions that could limit a one-stop operator in determining the best training option for each participant.

Boards are permitted, by regulation, to determine the mix of funding among intensive and training services. However, boards should use caution when considering using this power in a direct manner. Services provided to participants should be driven by case management and participant need, not arbitrary funding categories. Local boards are encouraged to monitor the expenditures of their one-stop operators and analyze and discuss expenditure patterns and how those patterns affect participants and business partners. The analysis and discussion should revolve around how one-stop operator activities will improve program results.

Local boards have resorted to imposing limits that may be viewed as managerial as a result of a lack of information on how to fulfill their responsibilities. Local boards have several other option at their disposal to influence and monitor service delivery. To use these options, local boards need to know the performance results of their participants and training providers. Local boards can then use this information to limit training options to not only those tied to appropriate occupations, but those that get results.

Local boards must influence and monitor service delivery by holding one-stop operators accountable. One-stop operators are held accountable through performance tracking at each center in the one-stop system for which they are responsible. WIA contains performance measures and local boards have already negotiated targeted levels of performance with the state. These same performance measures and targets should be used by local boards to evaluate the success of their one-stop operators. Neither JTD nor USDOL have made this criterion a priority in evaluation of local boards. As such, local boards have been able to involve themselves in all areas of one-stop operations. One-stop operators report calls from board members

- Requesting that participants be sent to specific facilities for OJT or training,
- On the status of specific individuals, with the intent of influencing training priorities despite an established process.

The above examples demonstrate inappropriate actions on the part of local board members. While JTD investigated several instances of board member conflicts of interest, the division lacks the ability to directly refer these matters to appropriate USDOL personnel or other officials

for action. Any recommendation goes through the NMDOL secretary's office, which supervises JTD, administers statewide 10 percent contracts, and supervises ESD a mandatory partner and one-stop operator. The state entity responsible for monitoring WIA compliance needs clear discretion and power to effect corrective actions. Having responsibility without power is not having responsibility.

To ensure the success of local boards in improving coordination among agencies and programs in New Mexico's one-stop system requires that the state take a more active role in the process. Local boards need data from the state so they can focus on a quality system that improves services for employers and participants. To meet these two requirements the state must first provide the local boards with accurate performance information.

Recommendations

Specifically the state should

- Provide local boards with the data necessary to evaluate their one-stop operators,
- Investigate complaints concerning conflicts of interest and undue influence on the part of board members,
- Grant the WIA monitoring entity the discretion and power to effect corrective actions, including referral to appropriate outside authorities.

Specifically local boards should

- Train board members on their roles and responsibilities in light of this report's findings,
- Schedule sessions to review one-stop operator performance results at a minimum on a quarterly basis.

WIA Board Composition. The large membership of both the state and local boards is a point of contention for many. However, board size is set by membership requirements that are outlined in WIA. New Mexico's statute on workforce development goes beyond the federal law and makes some optional members mandatory.

Finding 8: New Mexico's statute on state board membership goes beyond the federal requirements

WIA established a system of state and local boards by which the program is administered. Under WIA, the boards are given specific responsibilities for implementing the state's workforce development system. Figure 7 is a summary of the WIA requirements for state board membership.

For all boards, WIA requires that "a majority of the members be representatives of business." This requirement causes the size of boards to increase dramatically as additional public sector appointees are added. Currently the state board has 42 members; the northern board, 30 members; the central board, 36 members; the eastern board, 50 members; and the southwestern board, 35 members. GAO has found that large board size make it hard to recruit and retain members and difficult to set up and run meetings.

New Mexico's statute on workforce development goes beyond federal statute and requires the appointment of the secretaries of EDD, HSD, NMDOL and the superintendent of public instruction. If New Mexico statute made agency officials ex officio members, the mandated state board size could be reduced from 37 to 31 members. The statute also limits the state's ability to make adjustments if the WIA statute changes as part of reauthorization. New Mexico's ability to apply for a waiver to reduce board size to a more manageable level is also constrained by this statute. The governor could also reduce board size by appointing only the minimum number of members.

Figure 7 Required State Board Membership

State Board Membership (per WIA) shall include—

- The governor;
- two members of each chamber of the Legislature, appointed by the appropriate presiding officers of each such chamber; and
- the following members appointed by the governor:
 - Representatives of business in the state;
 - Chief elected officials (representing both cities and counties, where appropriate);
 - Representatives of labor organizations nominated by state labor federations;
 - Representatives of individuals and organizations who have experience with respect to youth activities;
 - Representatives of individuals and organizations who have experience and expertise in the delivery of workforce investment activities, including chief executive officers of community colleges and community-based organizations within the state;
 - The lead state agency officials with responsibility for the programs and activities that are described in section 121(b) and carried out by one-stop partners; and
 - Other representatives and state agency officials as the governor may designate, such as the state agency officials responsible for economic development and juvenile justice programs in the state.

The state, in consultation with local boards, should consider applying for waivers addressing board composition. Waivers that address the role of the chief elected officials could also be pursued. The range of waivers involving chief elected officials could be from transferring their role to the governor or allowing them to serve as the local board. All parties should be concerned about waivers that would remove the state board or drastically reduce the impact of the local boards in the workforce development process.

One possible way to reduce board size is to appoint board members who can represent more than one required category. For example, a local business owner who is on the local economic development commission might reasonably fill two slots. The northern board's extensive guidelines on membership do this by allowing the higher education representative to be one of the two other required education members.

The issue of controlling local board size could become critical because both the U.S. House and Senate versions of reauthorization seek to add representatives. Proposed added representation includes superintendents of local schools, presidents or chief executive officers of post secondary education institutions, administrators of adult education programs, and, in the case of the House, representatives of faith-based organizations. Proposed reauthorization bills take one positive step by eliminating the requirement for mandatory partners to be members of the local board.

Board size in and of itself does not preclude efficient or effective operations. In their report, *Building Better Workforce Boards, A Guide to Membership Selection, Recruitment and Development*, NAWB reports that a majority of boards nationwide have between 38 and 40 members. NAWB also argues that "board size does not preclude having a very effective, involved board." NAWB suggests that boards adjust their operations to accommodate a large board, as boards in New Mexico have done. They recommend the "increased use of executive committees, subcommittees and ad hoc task groups." They believe that such strategies can overcome the inherent disadvantages of a large board. These are not optimum solutions, but an adjustment to a required and imposed situation.

If the state board and local boards in New Mexico are forced to continue to adopt the strategy of increased use of committees, they should ensure that all parties notified about regular board meetings also receive similar advance notification for committee meetings. Meeting the minimum requirements of the state Open Meetings Act is not sufficient when a majority of the decisions for the board are made in executive or other committee sessions. Documentation shared with one subcommittee should be shared with the entire board. Given the powers granted to administrative agents and the centralization of power in executive committees with board chairs, a possibility exists that the role of the whole board could be minimized. Boards should be constantly vigilant that the entire board is adequately consulted and involved in areas where input is needed.

Board member representation at meetings and voting by members also needs to be addressed. The first area of concern is the issue of proxy voting. Proxy voting is inappropriate. If members cannot attend a meeting or participate by phone (board policy permitting) then they should not be able to vote on items before the board. Members not part of the board discussion or amendments cannot make an informed vote on issues before the board.

The other area for concern is public sector representation. Boards tend to view public sector members as representing agencies. Thus agencies are allowed to send any representative available. The eastern board identifies public sector members by name not agency. Boards, including the state board, need to adopt a policy that requires agencies to identify their board representative. This individual will then be the official member from that agency. The state board could allow the agency head to represent the designated member.

Board composition is not just about size, but also the background and experience of the members. Board membership, especially its business membership, is extremely important. An important criteria highlighted by NAWB in the report mentioned above is industry cluster. Boards are encouraged to work with their chief elected officials to ensure that board membership represents the industry in their local area. While not a requirement, the state is encouraged to

work with the local boards to identify key industry clusters that should be represented on the board.

One industry cluster of concern that should not be represented on the board is training providers. Training providers have a natural conflict of interest. It is questionable if they can honestly make recommendations without violating that conflict. The state needs to recertify both the state and local boards to ensure they meet WIA's requirements. Recertification should ensure that business members meet the "optimum policy" maker criteria.

A similar situation arises when business members take advantage of OJT or customized training set up for participants by one-stop operators. A review of case files found instances where board members had employees with OJT contracts. Normally this is not problematic, but in at least one instance, the individual was already employed. This individual went through core, intensive and training services in the same day. Additionally, the file contained no evidence that ESD determined that the participant was in fact eligible for services by testing the participant's pay against self-sufficiency guidelines.

While JTD has issued a state information notice concerning OJT, the notice does not require that OJT agreements be reviewed for potential conflicts of interest. ESD is also writing OJT agreements that are not in the best interest of participants and do not meet the guidelines outlined by the state notice. The state information notice states that,

"OJT is a training option meant to be conducted in the highest skill occupations appropriate to the participant and is to be in occupations, which are in high demand in the labor market ... It is not to subsidize employment for low-skill, low paying jobs or occupations with little or no potential for upward mobility.

ESD has written OJT agreements for day care food prep personnel and truck wash staff which are low paying and lack advancement potential. JTD has not investigated OJT agreements written by ESD in this area.

These perceived or real conflicts raise real concerns about the veracity of the OJT process. Having the state review OJT contracts involving board members could remove doubts in this area. The state board working with local boards should set a short turnaround time requirement for these reviews. The state also needs to ensure that OJT agreements are consistent with statutory and regulatory requirements. The state and local boards should review OJT agreements to ensure that the needs of participants are being met. Local boards should specifically review OJT agreements to ensure they meet the requirements outlined in the state information notice.

It is important to remember that these are functional operating boards charged with important responsibilities. The boards oversee the planning, contracting, performance and overall operations of highly complex workforce systems in each local area and the state. Their composition and size are fundamental to board membership assisting in the success of WIA. Similar to the private industry council model, a highly functional board with 15 or less members is ideal. Membership of such a board should come from the private sector with ex-officio public sector members assisting the board in carrying out its mission.

Recommendations.

Specifically the governor should

- Appoint the minimum required number of members to the state board,
- Pursue waivers that would improve or streamline board requirements.

Specifically the Legislature should

- Amend the state law that outlines specific membership requirements for the state board,
- Oppose any waiver that would remove the state board or drastically reduce the impact of local boards in the workforce development process.

Specifically the state should

- Ensure that all local and state board committee meetings are as highly publicized as regular board meetings,
- Reissue OJT guidelines to ensure that the appearance of a conflict of interest is adequately prevented,
- Require that all OJT agreements involving board members are reviewed by the state within a specific timeframe,
- Issue rules related to proxy voting and agency appointments,
- Recertify board membership for compliance with WIA.

WIA Contracting. NMDOL plays an important role in providing services to the state board and local boards. They assist the state board in application of statewide 10 percent contracts. The state has responsibility for ensuring the local boards and contractors have adequate guidance.

Federal audits of New Mexico's statewide 10 percent contracts identified a litany of concerns, such as, whether contracts were issued for allowable activities, lack of adherence to procurement code requirements, inability to identify particular participants served, lack of performance measures and overall poor documentation. Our cursory review of these contracts confirms that these issues did in fact occur.

Finding 9: WIA contracts require monitoring to ensure compliance, allowable activities, contract deliverables, and contractual performance.

An original objective of this audit was to use fiscal information to identify how WIA money had actually been spent. This was not possible because of the inadequate, fragmented, and poorly structured financial system at NMDOL related to their fiscal agent responsibilities.

Finding 10: The state needs to provide local board's fiscal agents with a workable day-to-day operational guide.

Finding 11: The state needs to ensure that all contractors comply with state and WIA regulations and policies.

During this review an issue of particular concern was the involvement of the prior NMDOL's Office of the Secretary staff in statewide 10 percent contracts. As an example, in August 2000, JTD raised concerns about making the final payment on a contract prior to completion of the

contract's tasks. In their response, prior administrative staff in the Office of the Secretary stated, "I do not recall an agreement for this consultant's final payment to be contingent upon task completion." In the same correspondence, Office of the Secretary staff instructed JTD to process the payment immediately or else to forward the paperwork for signature by Office of the Secretary staff. The contract for \$106,496 was paid. The contractor was awarded and paid an additional \$147,204 under another contract.

Another issue of concern is 10 percent contracts for unallowable activities. An example is another contract from the prior administration issued to Otero County Economic Development that allowed for international travel. USDOL in their audit highlighted this contract because it was for economic development and might disallow the cost. The USDOL audit report and these examples highlight the need for extensive documentation in the 10 percent contracting process.

The administrative and oversight body needs to review all 10 percent contracts and certify that they are consistent with WIA principles and requirements. This documentation should be included in the 10 percent contract files. If the previous recommendation is enacted this activity would be assigned to the new state administrative entity. Under the current system this responsibility needs to be assigned to JTD. No matter who is responsible there needs to be a segregation of duties related all statewide 10 percent contracts and clear procedures to avoid the appearance or actuality of a conflict of interest. The state administrative entity should be ineligible to receive these contracts.

While the governor reserves statewide 10 percent contract dollars, they are not a discretionary fund for the state's administrative entity. WIA defines both required and allowable uses for 10 percent dollars. The regulations also allow the state to develop policies and strategies for use of the statewide 10 percent dollars. The state plan must include descriptions of these policies and strategies. The state board has the responsibility to assist the governor in the development of the state plan. It would be in the state board's best interest to include policies and procedures in the state plan that give it a significantly strengthened role in determining the targeted activities and contracting priorities for these activities.

Local board members and their administrative entities report discontentment with the 10 percent contract process. A particular concern is the lack of coordination between the state 10 percent contract efforts and local boards. Local representatives worry that the state could possibly be duplicating service for particular participants. To eliminate this concern, the state should have processes in place to consult and coordinate the 10 percent contracts with the local boards.

The agreement or contract between training providers and local boards also needs to be strengthened. One-stop operators have an agreement with participants that relates to their training. These agreements however are not binding on training providers. Some one-stop operators expressed frustration in their relationship with training providers and the release of required information. To rectify this problem, local boards should not approve a training provider's programs unless that training provider has a signed contract with the local board.

The state can help in this process by working with local boards to establish a boiler plate contract that contains the required elements under WIA. The contract should also give the local board,

state administrative entity, and audit organizations access to all participant files at the training provider. Confidentiality concerns can be addressed upfront by having participants sign waivers. The contracts should also allow for the determination of accurate performance information. These contract need to be signed by the local board and applicable to the state as a whole.

Local boards are responsible for selecting three major administrative contracts; administrative entity, fiscal agent and one-stop operator. Local boards have contracted for other services, including business services. WIA funds are used for all levels of service, not just to provide training. Local boards can also use up to 10 percent of their WIA allocation for administrative costs. All local boards have contracts for various services including one-stop operators. Figure 8 identifies the primary contractors for adult and dislocated worker services for each of the local boards.

Figure 8 Current Local Board Contracted Entities

	Central	Eastern	Northern	Southwestern
Administrative Entity	MRCOG	EPCOG	NALWDB	SCCOG
Fiscal Agent	MRCOG	EPCOG	Zlotnick, Law & Sandoval, CPAs	SCCOG
One-Stop	RCI	ESD	SERCO	ESD
Business Services	SAOA	SAOA		

An original objective of this audit was modified due to inadequate fiscal agent records. Originally, the audit had an objective to use fiscal information to identify how WIA money had actually been spent. This was not possible because of the inadequate, fragmented and poorly structured financial system at NMDOL related to their fiscal agent responsibilities. One problem encountered with NMDOL financial system was lack of vendor codes in the fiscal agent payment system. The historical transaction record contained multiple listings for a majority of providers. Many of the payees contained multiple entries.

NMDOL's document tracking system prior to payment was also problematic because it did not allow examination of summary financial information. The system's internal controls over expenditures relied on individual spreadsheets maintained by NMDOL fiscal staff. The spreadsheets were not similarly formatted and did not contain a consistent level of detail. As a result, information contained in individual spreadsheets could not be combined to determine overall expenditures. Additionally, the information was not tracked consistently as staff turnover occurred.

Audit staff also reviewed the financial system used by MRGBEC, the central board's previous administrative and fiscal agent. This system contained vendor codes and other relevant information. However, MRGBEC did not purchase the module that allows data to be exported. As a result, audit staff was were unable to analyze how WIA money was spent in the central area while MRGBEC acted as the fiscal agent.

USDOL in their audit of New Mexico's WIA implementation determined that fiscal monitoring had never been conducted in the East and North and that in-depth monitoring did not occur in the Central Region.

JTD is responsible to assess these systems for adequate internal controls and data reliability. At a minimum, JTD should have provided the state and local boards with assurance that the system contained accurate and complete financial information. The division never conducted audits or assessments of NMDOL when the department acted as the local boards' fiscal agent. This creates an appearance of conflict of interest and could be construed to favor the activities of a particular contractor, NMDOL.

Figure 10 diagrams how services for one-stop and fiscal agent were provided when WIA was implemented. Figure 11 diagrams the current breakdown of local board one-stop and fiscal agent services. The figures also illustrate JTDs oversight role. No LWIB contracts with NMDOL as their fiscal agent at the present time. Termination of NMDOL's services as fiscal agent occurred because of mutual dissatisfaction with the process.

Three out of four fiscal agents changed on July 1, 2003. A telephone survey was conducted in October 2003 to evaluate the internal controls implemented by fiscal agents and NMDOL controls related to ensuring coordination and non-duplication among the programs and activities carried out by one-stop partners. Three of the fiscal agents are also program administrative entities. One fiscal service provider is not a fiscal agent, but merely provides bookkeeping and compilation services from documentation prepared by board staff. Fiscal entity organization, contract and processes are different in each local area.

At the time of the survey, none of the fiscal agents had documented internal control policies and procedures in place. However, the central area fiscal agent is currently developing policies and procedures, which could form the basis for a statewide model. Documentation of internal control activities, as well as all transactions and other significant events, is one critical category of management control common to all entities. Internal controls help ensure that actions are taken to address risks. They should be an integral part of planning, implementing, reviewing and accountability for proper stewardship of public resources and for achieving effective results.

The state needs to provide local board's fiscal agents with a workable day-to-day operational guide. The WIA Financial Management Guide was published 7/1/00 and can be found in 11.2.11 NMAC. Review of the regulations indicates that they are primarily a regurgitation of federal regulations and do not constitute an adequate or workable guide for fiscal agents' day-to-day operations.

In January 2003, USDOL, Employment and Training Administration, conducted a financial and programmatic review of NMDOL. One review objective was to evaluate fiscal operation. Despite the existence of the Financial Management Guide and NMDOL's role as local area fiscal agent, numerous statewide fiscal issues were identified; a sample is listed below.

- No mechanism was in place to track the \$7,000 training cap across all areas. The guide has not been updated to reflect the state-imposed training cost limit.
- No system was in place to track and account for fixed assets paid for with program funds. Several offices were reestablished and refurnished, rather than transferring assets from one office to another. Lack of a fixed asset tracking system has cost the state and local areas a great deal of money.

- The state did not follow WIA regulations regarding unallowable costs when it entered into the statewide Rapid Response contract with Otero County Economic Development Council, Inc. Federal regulations are clear that WIA title I funds may not be spent on economic development unless it is directly related to training for eligible individuals, but the guide simply refers readers to the federal regulations.
- Statewide 10 percent contracts between NMDOL and their subrecipients did not adhere to NMDOL policies and procedures, administrative regulations and WIA regulations.
- Despite the guide's explicit statement that "All procurement contracts and other transactions between Local Boards and units of State or local governments must be conducted only on a cost reimbursement basis," a provision in a majority of the 10 percent statewide contracts stipulated sub-recipients could receive monthly, quarterly or advances of cash payments.

Because of material internal financial system deficiencies, NMDOL cannot reconcile WIA program funding and related participant historical data from program inception through June 30, 2003. In the ongoing reconciliation and negotiation between NMDOL and the local boards, fiscal agents interviewed reported that NMDOL financial data are still fluctuating; with no explanations given and that the data still contain identifiable errors. Some local boards cannot be audited, as required by the State Auditor, until reconciliation is complete and accurate.

Fiscal agents reported that they are monitoring participants' individual training accounts at the local area level to ensure that the state-mandated funding cap per participant is not exceeded. However, no mechanism is in place to ensure coordination and non-duplication among one-stop partners' programs and activities at the statewide level. All fiscal agents are waiting for the department's VOSS system to come on line for this purpose. At the present time, the possibility exists that a participant can receive training funds in all four local areas without being detected. Participants could also spend more on their individual training than is allowable because historical financial data provided by NMDOL were and are not complete.

Figure 9 Changes in Local Board Contracts

	Administrative Entity	Fiscal Agent	One-Stop Operator
June 2001	Central – MRGBEC	Central – MRGBEC	Central - RCI
July 2002		Northern - Zlotnick, Law & Sandoval, CPAs	
Jan 2003			Northern - SERCO
July 2003	Central – MRCOG	Central – MRCOG Eastern – EPCOG Southwestern – SCCOG	

As part of their contracting process, local boards are responsible for selecting a one-stop operator. All local boards have used an RFP process to select their one-stop operators. ESD successfully competed and remains the one-stop operator for the eastern and southwestern boards. In 2001, the central board selected RCI over ESD as their one-stop operator. The northern board switched from ESD to SERCO in January 2003.

The state and local board contracts and contracting methods should be above reproach. The state must set an example for the boards to follow and assist the boards in making sure all relevant legal requirements are covered. The assurance that local boards and the state are exercising legitimate control over their financial systems is vital to WIA. The act allows the governor to dissolve a local board because of fiscal improprieties. Additionally, USDOL could require a monitor to control state activities related to WIA for similar fiscal impropriety.

Recommendations

Specifically the state should

- Obtain state board approval of policies and procedures that clearly outline the steps to be taken and documentation required for all state 10 percent contracts;
- Seek the state board involvement and approval for decisions involving state 10 percent contracts;
- Establish program-specific internal control policies, procedures, and guidelines for statewide use;
- Evaluate the manual being developed by the central board fiscal agent as a model policy and procedure document;
- Develop and continuously improve the statewide system of activities, which includes the linkages to ensure coordination, nonduplication of services and prevention of over-funding;
- Require that local boards' local workforce investment plan contain the criteria to be used to measure the performance of their fiscal agent;
- Make the VOSS's financial system operational as soon as possible.

Specifically the state board should

- Update the state plan to require state board involvement in determining the targeted activities and contracting priorities for these statewide 10 percent monies;
- Approve a policy and procedure for state 10 percent contracts that removes any appearance of conflict of interest and that clearly follows requisite procurement code requirements;
- Establish a key subgroup to monitor all contracts issued with statewide 10 percent monies. This subgroup should be made up of members knowledgeable with state and federal procurement regulations and should exclude any party engaged in WIA-related contracting;
- Work with local boards to establish boiler plate contract for a WIA training provider that includes all required WIA elements.

Specifically local boards should

- Approve training providers programs only after a WIA contract is in place;
- Adopt internal control policies and procedures;
- Develop criteria to measure the performance of their fiscal agents;
- Actively monitor financial systems and the information produced by those systems.

Specifically NMDOL should

- By December 31st provide local boards with final, certified, adequately documented, and auditable initial balances.

Figure 10 WIA when Implemented

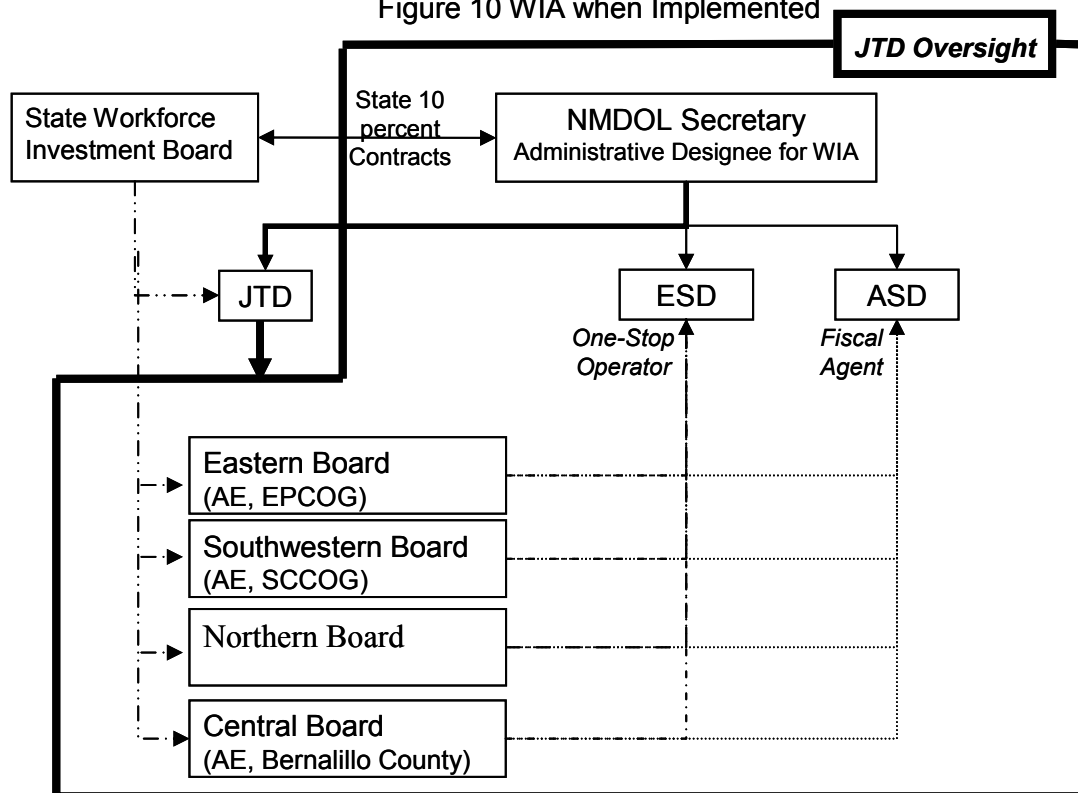
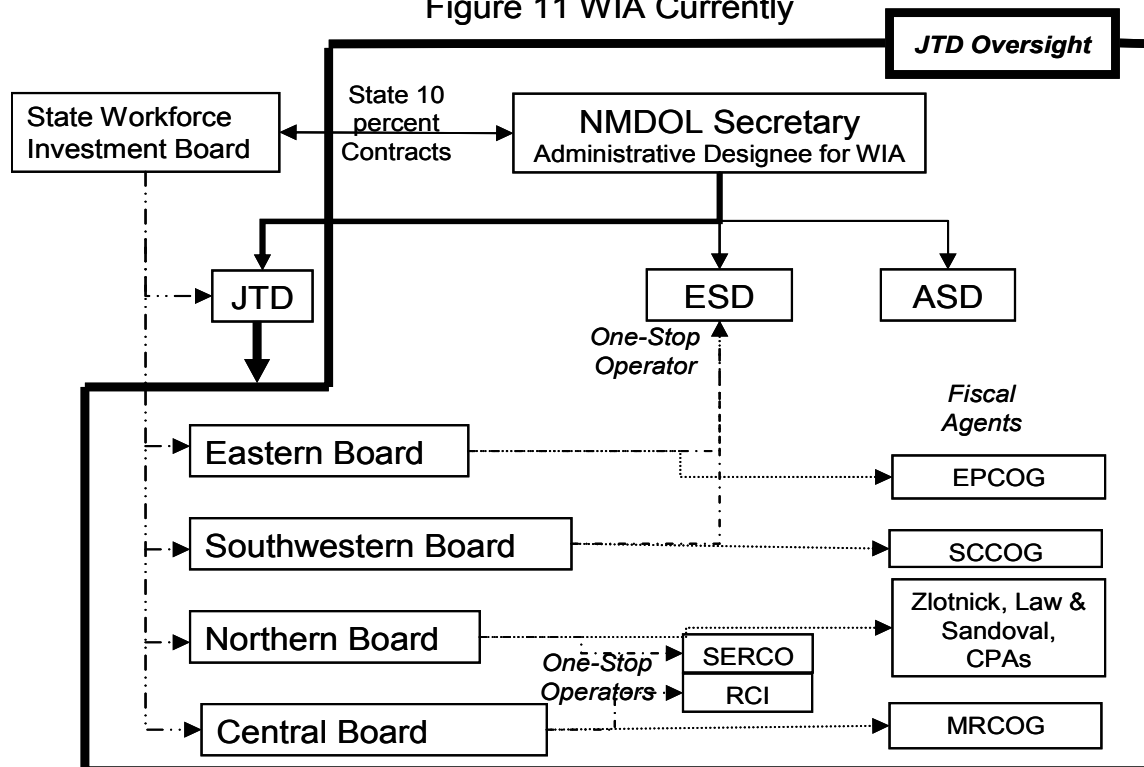
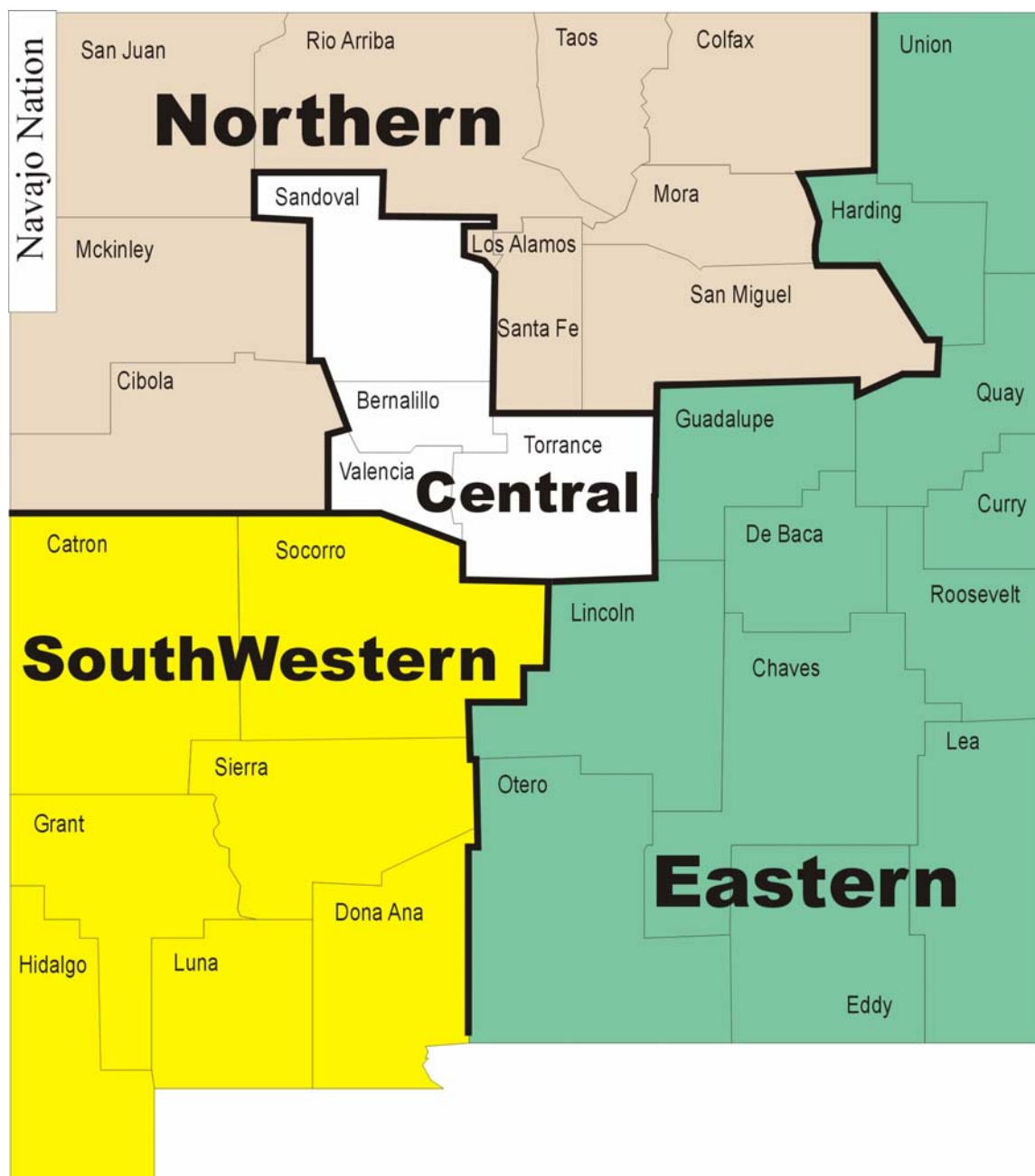


Figure 11 WIA Currently



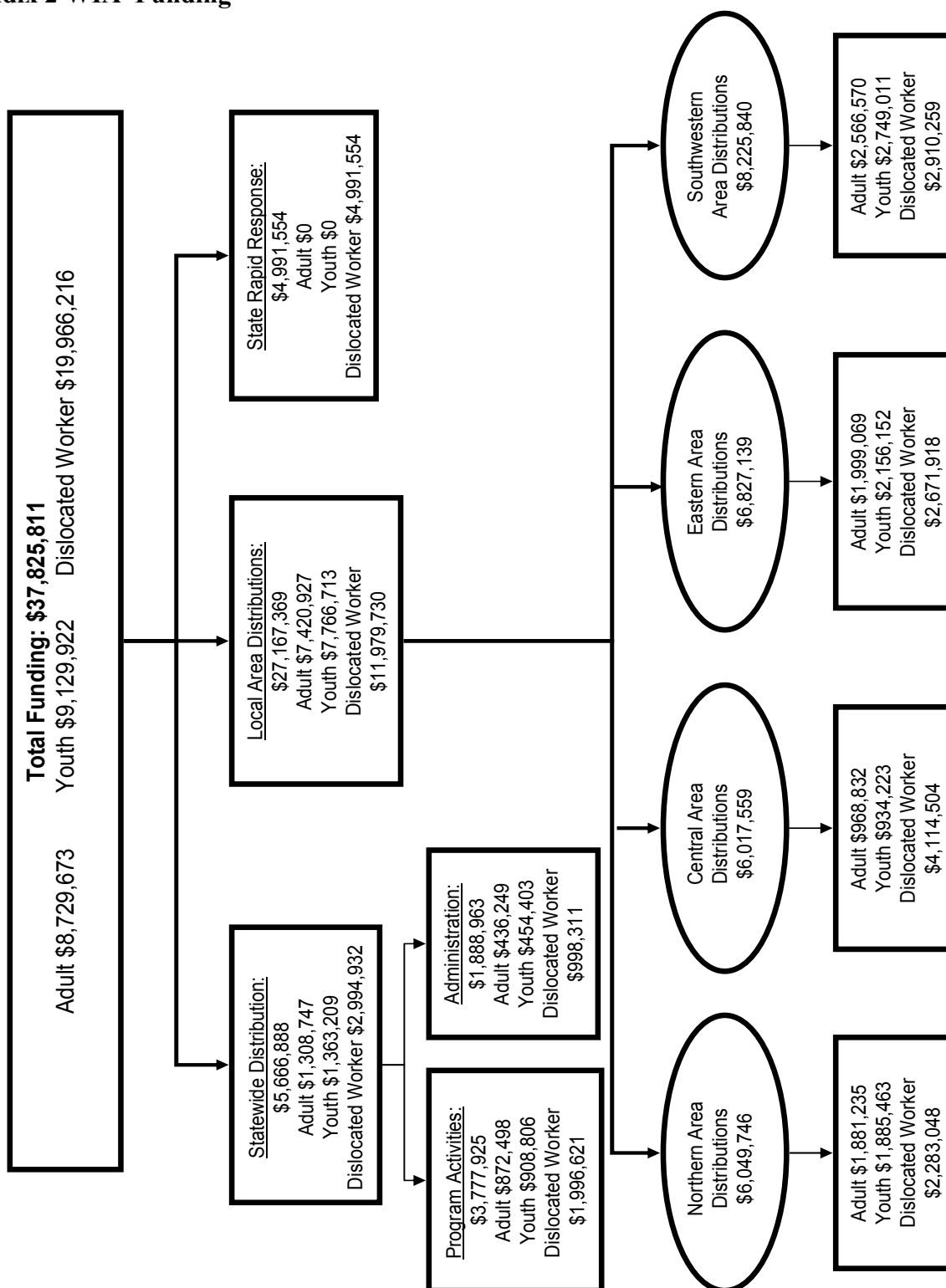
Appendix

Appendix 1 Local Board Regions

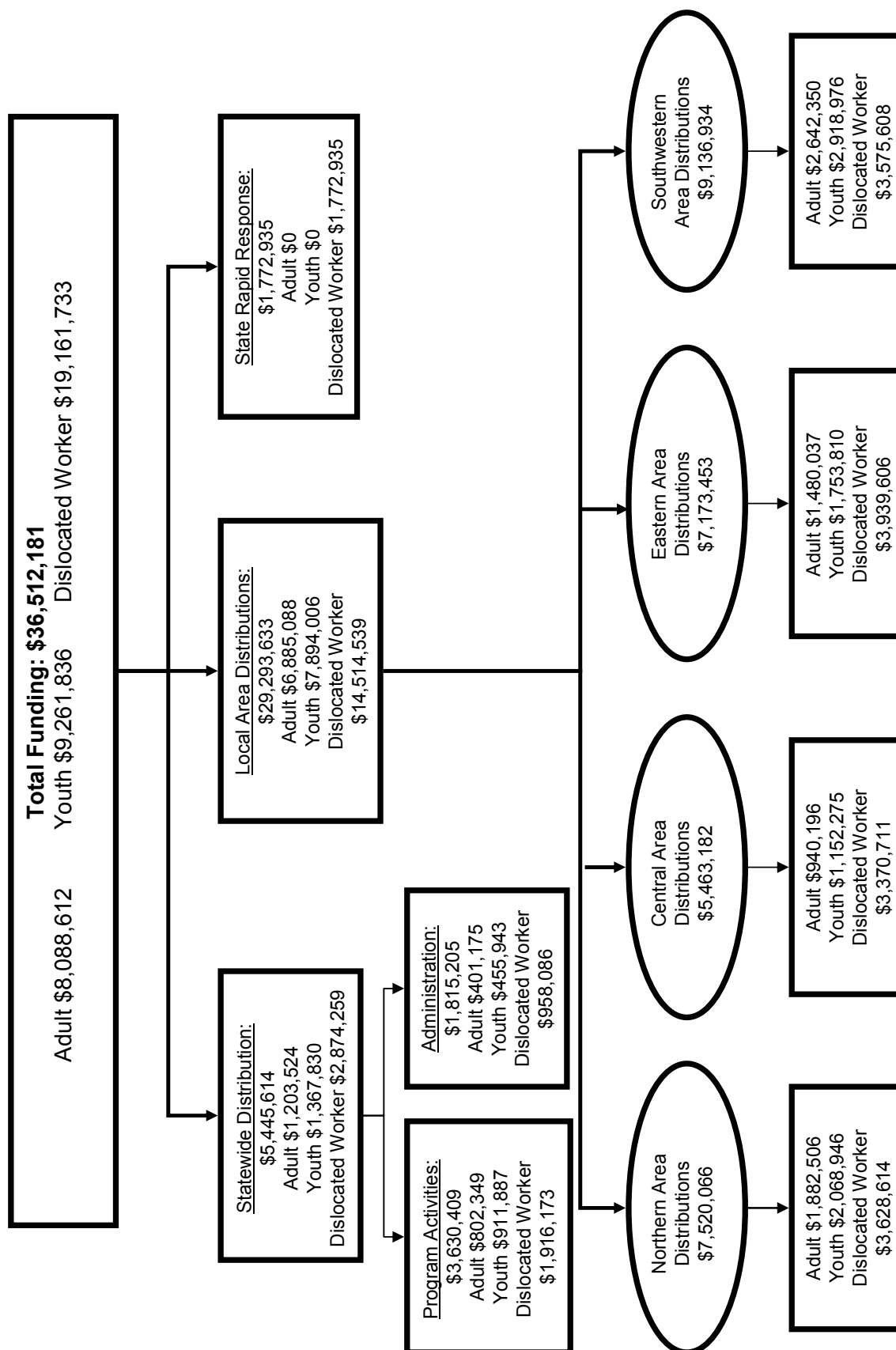


Appendix 2 WIA Funding

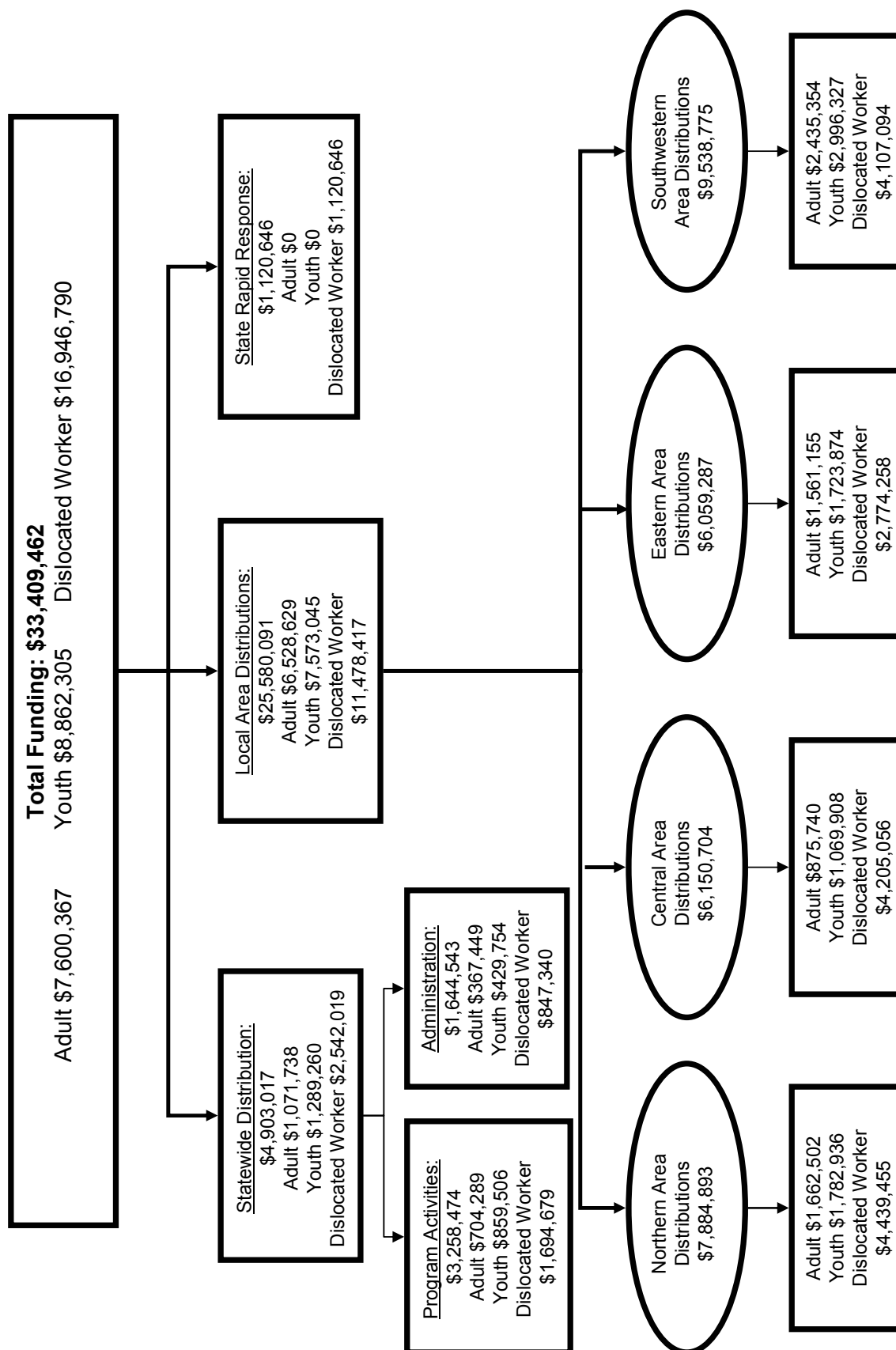
Program Year 2000



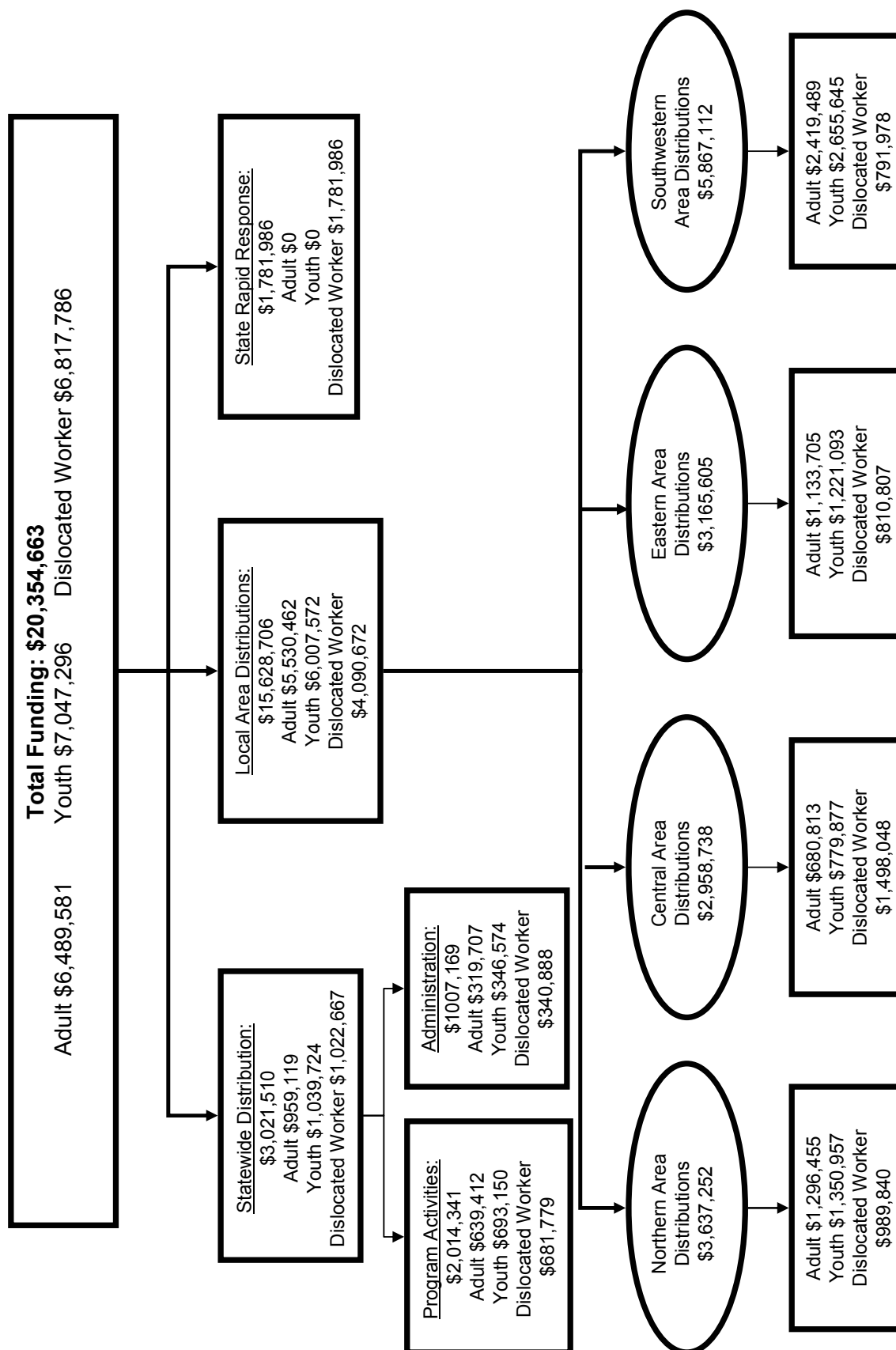
Program Year 2001



Program Year 2002



Program Year 2003



DEPARTMENTAL RESPONSE

BILL RICHARDSON
GOVERNOR

CONROY CHINO
SECRETARY



STATE OF NEW MEXICO DEPARTMENT OF LABOR

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November 12, 2003

Mr. Ben Altamirano
Chairman, Legislative Finance Committee
State Capitol Building, Room 416
Santa Fe, New Mexico 87503

Dear Mr. Chairman

The New Mexico Department of Labor takes its role and responsibilities seriously especially when it comes to administering federal programs and accounting for public funds. The Department was tasked with implementing the federal Workforce Investment Act of 1998. While the concept and design of WIA in New Mexico were well intentioned, conceived and crafted by the executive and legislative branches, the process and implementation were flawed. The Legislative Finance Committee's audit review of WIA points out many of the shortcomings and difficulties in implementing a complex and convoluted training program. Senior managers and staff in the Labor Department dispute several of the audit findings, but they concur with the report's recommendation that an Office of Workforce Cooperation, Oversight and Planning administratively attached to the Department of Finance and Administration or the Governor's Office should be given serious consideration.

This administration has worked tirelessly to correct many of the problems it inherited when it assumed control and leadership of the Labor Department in January 2003. This Department continues to be a vital component of Governor Richardson's commitment to improved service to all citizens of the state. The following summarizes a number of critical success factors for the department for WIA and other related programs:

Based on weekly reports submitted by field managers, NMDOL provided services directly to over 330,000 customers; processed 23,600 job orders through the VOS system; made nearly 42,000 employer contacts; placed over 30,000 persons in jobs and had over 140,000 customers using the NMDOL One-Stop resource rooms.

Administration of the Unemployment Insurance Benefit program that processes over 74,000 UI claims annually and disperses over \$136M in UI benefit payments to unemployed workers.

- Successful implementation of a new UI Internet and call center claims system.

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- The department continues to receive the maximum amount of federal grants available for UI system enhancements to include improved monitoring of fraud and overpayments.
- The department aggressively continues to seek reimbursement of overpayment of unemployment benefits, and prosecution of fraudulent payments.
- Serving over 9,000 veterans statewide with over 2000 entering employment.
- The Work Opportunity Tax Credit and Welfare to Work Tax Credit programs issued 2,400 certifications to employers with 350 employers taking advantage of tax incentives.
- The New Mexico Workforce Connection website received over 300,000 visits.
- The Alien Labor Certification program received 172 applications and met all performance requirements.

All performance requirements and deliverables for Labor Market Information, federal reports and public information have been met or exceeded. This includes over 1,000,000 NMDOL website visits and over 350,000 publications distributed yearly.
- The New Mexico Department of Labor has actively sought and obtained Technical Assistance and Training funds from the United States Department of Labor for fiscal and program training on WIA.
 - A 3-day training workshop on accounting for the WIA grant was held in May 2003 that was well attended by NMDOL fiscal and program staff as well as staff of the four local boards, USDOL staff and by staff of labor agencies from other states.
 - NMDOL's Financial Management Bureau staff (FMB) received peer-to-peer training from staff of the Colorado labor department.
 - NMDOL has obtained other special training for the state board, providers of services and continues to work with the USDOL, local boards and the State Board to advance fiscal and program understanding of the WIA.
- NMDOL's Financial Management Bureau in conjunction with the Secretary's Office has identified and documented all contracts funded by WIA 10% statewide funds.
 - All contracts issued by NMDOL since inception of the WIA program have been encumbered.
 - All contracts issued by NMDOL on behalf of the State Board have been identified and their status determined.
 - NMDOL has established a process of on-going review of contracts intended for statewide activities and has established a contract review and management function internally.
- NMDOL's fiscal staff has worked diligently with fiscal staff of the local boards to improve the accuracy and integrity of reporting of WIA fiscal activity.
 - The Financial Management Bureau (FMB) worked hand-in-hand with the Central Boards former fiscal agent, the Middle Rio Grande Business and Economic Cooperative and with their current fiscal agent, the Middle Rio Grande Council of Governments to reconcile the expenditures and cash received by the Central Board since inception of the program.
 - FMB staff has worked closely with the new fiscal agents of the Eastern and Southwest Boards to facilitate the transfer of duties, files and other information from NMDOL to them.

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- o FMB staff has provided technical direction and instructions to local board staff with regard to reporting accruals, preparation of monthly budget status report and funds tracking for program years 2002 and 2003.
- NMDOL's fiscal staff took the lead in establishing resource-sharing agreements in a number of one-stop career services offices with the Northern Area.
- NMDOL has organized four teams of staff and technical experts to work with each WIA local area to help the local areas maximize their use of the VOSS system.

The New Mexico Labor Department appreciates the willingness and cooperation of the LFC's audit team in addressing our concerns regarding the findings, conclusions, and recommendations made in the audit report. A more detailed written response by the New Mexico Department of Labor will be submitted to the LFC within the next thirty days.

Sincerely,

Conroy Chino
Secretary

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